

**No.**

Fee \$50.00

DEC 21 1978-9:00 AM
INTERSTATE COMMERCE COMMISSION

Dear Sir:

Enclosed herewith for filing is an Equipment Trust Agreement dated as of December 1, 1978, relating to the issuance of the Equipment Trust Certificates, 1978 Series 4, of ITEL Corporation. The parties to the enclosed Agreement are:

**Itel Corporation, Rail Division
Two Embarcadero Center
San Francisco, California 94111**

and

Bankers Trust Company
280 Park Avenue
New York, New York 10017

Please record one of the ^{seven}~~six~~ enclosed copies and stamp the other ^{four}~~five~~ copies and the copy of this letter enclosed herewith with the recordation data and return such copies to the delivering messenger who will wait. A check in the amount of \$50 is enclosed in payment of the applicable recording fee.

Very truly yours,

WILLIAM

Paul M. Willard
Counsel

PW:tæ
Enclosures

**TWO EMBARCADERO CENTER
SAN FRANCISCO
CALIFORNIA 94111
(415) 955-9090
TELEX 84-234**

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Exhibit A

The terms used in this Exhibit A shall have the respective meanings thereof set forth in the Amendment Agreement and Assumption to which this Exhibit A is attached.

<u>Date of Agreement</u>	<u>Date of Filing of Agreement with ICC</u>	<u>ICC Recordation Number for Agreement</u>
August 15, 1976	October 8, 1976	8518
October 15, 1976	November 18, 1976	8579
November 15, 1976	February 23, 1977	8707

<u>Sublessee under Sublease</u>	<u>Date of Sublease</u>	<u>Date of Filing of Sublease with ICC</u>	<u>ICC Recordation Number for Sublease</u>
Minnesota/Dakota & Western Railway Company	June 22, 1976	October 1, 1976	8591
Atlanta & Saint Andrews Bay Railway Company	October 5, 1976	November 19, 1976	8582
Apache Railway Co.	June 1, 1976	February 23, 1977	8709

RECORDATION NO. Filed 1425

DEC 21 1978 -9 00 AM

INTERSTATE COMMERCE COMMISSION

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ITEL CORPORATION
Rail Division
RAIL EQUIPMENT TRUST

1978

Series 4

EQUIPMENT TRUST AGREEMENT

between

BANKERS TRUST COMPANY,
Trustee,

and

ITEL CORPORATION

Dated as of December 1, 1978

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EQUIPMENT TRUST AGREEMENT dated as of December 1, 1978, between Bankers Trust Company (hereinafter called the Trustee), and Itel Corporation, a Delaware corporation (hereinafter called ITEL), acting through its Rail Division.

WHEREAS ITEL has agreed to cause to be sold, transferred and delivered to the Trustee the railroad equipment described in Schedule A hereto;

WHEREAS title to such railroad equipment is to be vested in and is to be retained by the Trustee and such railroad equipment is to be leased to ITEL hereunder;

WHEREAS Itel Corporation, 10-3/8% 15 Year Rail Equipment Trust Certificates, 1978 Series 4 (hereinafter called the Trust Certificates, such term to include the singular as well as the plural number), are to be issued and sold from time to time in an aggregate principal amount not exceeding \$19,444,444.46 and the proceeds of such sale are to be deposited in trust with the Trustee and are to constitute a fund to be known as ITEL CORPORATION, RAIL EQUIPMENT TRUST, 1978 SERIES 4, to be applied by the Trustee in payment of a portion of the cost of the Trust Equipment, the remainder of the cost thereof to be borne by ITEL as provided herein;

WHEREAS ITEL has agreed to give and assign to the Trustee, as security for the obligations of ITEL hereunder and under its guaranties endorsed on the Trust Certificates, a security interest in all its rights under all existing leases or leases hereinafter entered into to the extent that such leases cover any of the Trust Equipment, including, without limitation, all its rights to all rentals, proceeds and other sums payable to or receivable by ITEL with respect to the Trust Equipment;

WHEREAS the text of the Trust Certificates and the guaranty to be endorsed on the Trust Certificates by ITEL are to be substantially in the forms annexed hereto as Schedule B; and

WHEREAS it is desired to secure to the holders of the Trust Certificates the payment of the principal thereof, with interest and premium (if any) thereon, as hereinafter more particularly provided, and to evidence

the rights of the holders of the Trust Certificates, all as herein more particularly provided;

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the parties hereto hereby agree as follows:

ARTICLE ONE

Definitions

SECTION 1.01. Definitions. The following terms (except as otherwise expressly provided or unless the context otherwise requires) for all purposes of this Agreement shall have the respective meanings hereinafter specified:

Affiliate of any corporation shall mean any corporation which, directly or indirectly, controls or is controlled by, or is under common control with, such corporation. For the purposes of this definition, control (including controlled by and under control with), as used with respect to any corporation, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise.

Agreement shall mean this Agreement together with Schedule A hereto, as the same may from time to time be supplemented or amended.

Authorized Officer means any officer of the Trustee duly authorized by the Board of Directors of the Trustee, or a duly authorized committee thereof, to sign the Trust Certificates on behalf of the Trustee.

Capitalized Lease shall mean any lease of real or personal property which is required to be capitalized under generally accepted accounting principles as to which ITEL or a Restricted Subsidiary is the lessee.

Capitalized Lease Rentals shall mean all rentals in respect of Capitalized Leases discounted in respect of each Capitalized Lease in accordance with generally

accepted accounting principles.

Cash Flow shall mean for the specified period as to which the term is used the sum of (i) Consolidated Net Income for such period before provision for United States and any other income taxes plus (ii) depreciation and all other noncash items deducted from revenues in the computation of such Consolidated Net Income, including amortization of debt discount and goodwill, minus the sum of (y) United States and any other taxes actually paid during such period plus (z) noncash items which were added to revenues in the computation of such Consolidated Net Income, including residual values and deferred income items, all as determined in accordance with generally accepted accounting principles.

Consolidated shall mean, with respect to the accounting item being described, such accounting item of ITEL and its Restricted Subsidiaries, as consolidated in accordance with generally accepted accounting principles including the elimination of intercompany items and transactions and after appropriate adjustment for any minority interests.

Consolidated Balance Sheet shall mean the consolidated balance sheet of ITEL as of September 30, 1978, delivered to the Purchaser and to which reference is made in Section 3(b) of the Purchase Agreement; provided, however, that for purposes of Section 7.01, if ITEL shall designate any Unrestricted Subsidiaries, said balance sheet shall be amended to include only consolidated accounting items of ITEL and its Restricted Subsidiaries.

Consolidated Earnings Available for Interest Coverage shall mean for any period the sum of (i) Consolidated Net Income for such period plus (ii) state, Federal and local taxes measured by income and excess profits taxes which were deducted in the computation of Consolidated Net Income for such period and (iii) Consolidated Interest Expense for such period.

Consolidated Interest Expense shall mean for any period interest paid or accrued and unpaid during such period on all Consolidated Debt (excluding Capitalized Leases), including amortization of debt discount and

expense, plus one-third of rentals paid or accrued and unpaid during such period under each Capitalized and Noncapitalized Lease.

Consolidated Senior Borrowing Base shall mean at any time the sum of Consolidated Stockholders' Equity, Consolidated Subordinated Debt and Consolidated Deferred Taxes.

Corporate Trust Office shall mean the principal office of the Trustee in New York City at which the corporate trust business of the Trustee shall, at the time in question, be administered, which office is, on the date of this Agreement, located at One Bankers Trust Plaza, New York, New York 10006, Attention: Corporate Trust Division.

Cost, when used with respect to a unit of Equipment, shall mean the actual cost thereof together with delivery charges and sales taxes payable in connection with the delivery thereof to ITEL. The actual cost shall be deemed to be (i) the purchase price payable to the manufacturer, if the Owner is the manufacturer, or (ii) the purchase price paid to the manufacturer, if the Owner is ITEL.

Debt or Indebtedness shall mean (i) all indebtedness of ITEL or any Restricted Subsidiary for the repayment of borrowed money whether or not represented by bonds, debentures, notes or other securities, (ii) all Capitalized Lease Rentals, (iii) all indebtedness secured by any mortgage, pledge or lien existing on property or interests owned or held by ITEL or any Restricted Subsidiary (excluding any indebtedness secured and incurred as provided in Section 7.02(f) for the satisfaction of which the sole recourse of the obligee is the equipment and the proceeds therefrom by which such indebtedness is so secured) whether or not the indebtedness secured thereby shall have been assumed or guaranteed by ITEL or any Restricted Subsidiary, (iv) all indebtedness for borrowed money to the extent guaranteed by ITEL or a Restricted Subsidiary and appearing as a contingent liability in the notes to such guaranteeing corporation's financial statements under generally accepted accounting principles and (v) all indebtedness incurred or assumed in connection with any merger, consolidation or acquisition of assets.

Any indebtedness of ITEL and its Restricted Subsidiaries shall not be included in the computation of "Debt" or "Indebtedness" during such period upon or prior to the stated maturity or scheduled date for the payment thereof as, in compliance with the instrument creating or representing such indebtedness, there is on deposit irrevocably in trust with the proper depository funds or other assets for the payment or satisfaction of such indebtedness; provided, however, that such funds or assets shall not be treated while so deposited as assets of the obligor for the purpose of determining compliance with any of the covenants and agreements contained in this Agreement.

Default shall mean an event or condition which, with the giving of notice or lapse of time or both, would become an Event of Default.

Deferred Taxes shall mean (i) all deferred taxes in an amount that would appear on a balance sheet prepared in accordance with generally accepted accounting principles and (ii) all taxes appearing as a liability on such balance sheet, to the extent not otherwise included in (i), to the extent they are not due and payable within one year.

Deposited Cash shall mean the aggregate of (i) the proceeds from the sale of the Trust Certificates deposited with the Trustee pursuant to Section 2.01 and, when required or indicated by the context, any Investments purchased by the use of such proceeds pursuant to the provisions of Section 9.04, and (ii) any sums restored to Deposited Cash from rentals pursuant to Section 4.04(B) (1) (b) and on deposit with the Trustee.

Equipment shall mean new, standard-gauge, general purpose boxcars manufactured and first put into use on or after July 1, 1978; provided, however, that any new, standard-gauge, general purpose boxcar manufactured and first put into use on or after September 30, 1977 and on or before June 30, 1978 may be a unit of Equipment hereunder if not more than 99 other such boxcars are units of Equipment hereunder.

Event of Default shall mean any event specified

in Section 5.01 to be an Event of Default.

Funded Debt shall mean all Indebtedness which would in accordance with generally accepted accounting principles be classified as funded debt but in any event including all Indebtedness maturing by its terms more than one year after, or which is renewable or the maturity of which is extendable at the option of the obligor pursuant to the terms thereof for a period ending one year or more after, the date of creation thereof, including current maturities thereon.

Generally accepted accounting principles shall mean generally accepted accounting principles in effect at the date hereof except where such principles are inconsistent with the requirements of this Agreement.

The word holder or holders, when used with respect to Trust Certificates, shall include the plural as well as the singular number and shall mean the person in whose name such Trust Certificate is registered. If pursuant to any agreement between the Trustee and the Purchaser or its assignee, any Trust Certificate shall be issued to the Purchaser or such assignee payable to order and transferable by endorsement, such word and the words "registered holder" as used herein shall include the Purchaser or any such assignee.

Insurer's Certificate means a certificate signed by an insurance broker of nationally recognized standing and satisfactory to the Trustee. The acceptance by the Trustee of, together with its action on, an Insurer's Certificate shall be sufficient evidence that such broker is satisfactory to the Trustee.

Investments shall mean (i) certificates of deposit of any commercial bank incorporated under the laws of the United States of America or any state thereof having a capital and surplus aggregating not less than \$50,000,000, in each case maturing within one year after the date of investment therein, (ii) bonds, notes or other direct obligations of the United States of America or obligations for which the full faith and credit of the United States are pledged to provide for the payment of the interest thereon and principal thereof, in each case maturing within one year after

the date of investment therein, or (iii) any repurchase agreements in respect of (i) and (ii).

ITEL shall mean ITEL CORPORATION, a Delaware corporation, and its successor or successors complying with the provisions of Section 7.04.

Lease shall mean (i) each of the lease agreements annexed hereto as Schedule C, consisting of (a) that certain Lease Agreement dated as of July 11, 1977, between SSI Rail Corp. ("SSI Rail"), as lessor, and Texas, Oklahoma & Eastern Railroad Company ("TOE"), as lessee, and Weyerhaeuser Company, as amended by a letter agreement executed by SSI Rail on August 5, 1977 and by TOE on August 10, 1977, together with Equipment Schedule #1 thereto, insofar as such Lease Agreement, as so amended and supplemented, relates to Trust Equipment; (b) that certain Lease Agreement dated as of August 6, 1976, between SSI Rail, as lessor, and Greenville & Northern Railway Company ("GRN"), as lessee, as amended by Amendment Number 1 dated as of March 1, 1978, and Rider No. 1 executed by ITEL on June 15, 1978 and by GRN on July 5, 1978 together with Equipment Schedule #3 thereto, insofar as such Lease Agreement, as so amended and supplemented, relates to Trust Equipment; (c) that certain Lease Agreement dated as of May 5, 1978, between ITEL, as lessor, and Atlanta & Saint Andrews Bay Railway Company ("ASAB"), as lessee, as amended by Rider No. 1 executed by ASAB on May 5, 1978 and by ITEL on June 2, 1978, together with Equipment Schedule #3 thereto, insofar as such Lease Agreement, as so amended and supplemented, relates to Trust Equipment; (d) that certain Lease Agreement dated as of June 14, 1977, among ITEL, SSI Rail, as lessor, and Arkansas & Louisiana Missouri Railway Company ("ALM"), as lessee, as amended by Rider No. 2 executed by ALM on March 15, 1978 and by ITEL on March 17, 1978, together with Equipment Schedule #4 thereto, insofar as such Lease Agreement, as so amended and supplemented, relates to Trust Equipment; (e) that certain Lease Agreement dated as of December 23, 1977, among ITEL, SSI Rail, as lessor, and Marinette, Tomahawk & Western Railroad Company, as lessee, together with Equipment Schedules #2 and #3 thereto, insofar as such Lease Agreement, as so supplemented, relates to the Trust Equipment; and (f) that certain Lease Agreement dated as of July 21, 1977, between SSI Rail, as lessor, and North Louisiana and Gulf Railroad Company

("NLG"), as lessee, as amended by Amendment No. 1 executed by NLG on October 26, 1977 and by ITEL on November 2, 1977, Amendment Number 2 dated as of July 1, 1978, and Rider No. 1 executed by NLG on July 13, 1978 and by ITEL on August 24, 1978, together with Equipment Schedule #3 thereto, insofar as such Lease Agreement, as so amended and supplemented, relates to the Trust Equipment; and (ii) any other lease agreement covering one or more units of Trust Equipment and approved by the written consent of the holders of not less than a majority in aggregate unpaid principal amount of the Trust Certificates then outstanding.

Lease Assignment shall mean an assignment of a Lease to the Trustee in substantially the form annexed hereto as Schedule D executed by ITEL.

Mandatory Sinking Fund Payment shall have the meaning set forth in Section 2.02.

Net Income shall mean net income (or loss) determined in accordance with generally accepted accounting principles.

Net Tangible Assets shall mean all assets which, in accordance with generally accepted accounting principles, would appear on the asset side of a balance sheet, including leased property to which Capitalized Lease Rentals are attributed, but excluding intangible assets (such term, as used herein, meaning patents, franchises, trademarks and the like, goodwill and any other identifiable or unidentifiable assets generally classified as intangible assets) and unamortized debt discount and expense, minus the sum of (i) all reserves and deductions, including those for depreciation, depletion, amortization, bad debt losses, Deferred Taxes and minority interests, and (ii) all liabilities which, under generally accepted accounting principles, would appear on the liability side of a balance sheet.

Noncapitalized Lease shall mean any lease of real or personal property, other than Capitalized Leases, under which ITEL or a Restricted Subsidiary is the lessee.

Officer's Certificate shall mean a certificate

signed by the President or a Vice President of ITEL or of ITEL's Transportation Services Group or Rail Division.

Opinion of Counsel shall mean an opinion in writing signed by legal counsel satisfactory to the Trustee and who, if satisfactory to the Trustee, may be counsel for ITEL. The acceptance by the Trustee of, together with its action on, an Opinion of Counsel shall be sufficient evidence that such counsel is satisfactory to the Trustee.

Owner shall mean the manufacturer or owner of the Equipment transferring title thereto to the Trustee.

Purchase Agreement shall mean the agreement dated as of December 1, 1978, among ITEL and the Purchaser, as the same may from time to time be supplemented or amended.

Purchaser shall mean THE TRAVELERS INSURANCE COMPANY, a Connecticut corporation.

Request shall mean a written request for the action therein specified, delivered to the Trustee, dated the date of delivery thereof to the Trustee and signed on behalf of ITEL by the President or a Vice President of ITEL or of ITEL's Transportation Services Group or Rail Division.

Restricted Investment shall mean (i) any investment in any property whatsoever of, or (ii) any purchase of any stock or other securities or evidences of indebtedness of, or (iii) any capital contributions, loans or advances to (including the amount by which the fair market value of any property sold or transferred by ITEL or any Restricted Subsidiary exceeds the fair market value of the consideration received therefor by ITEL or such Restricted Subsidiary), or (iv) any assumption of liability in respect of any indebtedness of, any other person, firm or corporation made by ITEL or any Restricted Subsidiary except (A) investments in direct obligations of the United States Government or any agency thereof or in obligations guaranteed by the full faith and credit of the United States Government, in each case maturing within one year after the date of investment therein, (B) certificates of deposit of, or

time deposits with, the Trustee and/or any commercial bank in the United States having a capital and surplus aggregating at least \$50,000,000, in each case maturing within one year after the date of investment therein, (C) any investments set forth in clauses (i) through (iv) above if made in a Restricted Subsidiary, (D) open market commercial paper rated A-1 (or the then equivalent grade) by Standard and Poor's Corporation or prime-1 (or the then equivalent grade) or better by Moody's Investors Service, Inc., or the successor of either of them or (E) any indebtedness of an Unrestricted Subsidiary for borrowed money guaranteed by ITEL or for which ITEL is otherwise contingently liable if such guarantee or contingent liability results from endorsement by ITEL of negotiable instruments for transfer in the ordinary course of business.

Restricted Subsidiary shall mean any Subsidiary which is not at the time an Unrestricted Subsidiary.

Senior Debt shall mean all Debt which is not Subordinated Debt.

Senior Funded Debt shall mean all Funded Debt which is also Senior Debt.

Short Term Debt shall mean all Debt which is payable on demand or which matures within one year from the date of incurrence and which is not renewable at the option of the obligor, excluding current maturities of Funded Debt.

Sinking Fund shall mean the sinking fund provided for in Section 4.04(B) (4) (a).

Stockholders' Equity shall mean as to any corporation at any time the total of its capital stock, surplus and retained earnings accounts, all as determined in accordance with generally accepted accounting principles.

Subordinated Debt shall mean all unsecured Indebtedness of ITEL which provides for subordination to Senior Debt (including the Trust Certificates) pursuant to provisions substantially equivalent to the subordination provisions contained in ITEL's Indenture dated as of March 1, 1970, relating to its 7% Convertible Subordi-

nated Debentures due March 1, 1995, a copy of which Indenture is on file with the Trustee at the Corporate Trust Office.

Subsidiary shall mean a corporation of which ITEL owns, directly or indirectly, at least a majority of the outstanding voting stock.

The term "Subsidiary" shall also include a corporation of which ITEL and/or a Subsidiary, as defined above, own, directly or indirectly, at least a majority of the outstanding voting stock.

Trust Certificates shall include the singular as well as the plural number and shall mean ITEL Corporation 10-3/8% 15 Year Rail Equipment Trust Certificates, 1978 Series 4, issued hereunder.

Trust Equipment shall mean all Equipment at any time subject to the terms of this Agreement.

Trustee shall mean Bankers Trust Company, and, subject to the provisions of Article Nine, any successor as trustee hereunder.

Unrestricted Subsidiary shall mean any Subsidiary which has been designated by ITEL as an Unrestricted Subsidiary, unless and until such Subsidiary shall be designated by ITEL as a Restricted Subsidiary. ITEL may not designate a Subsidiary as an Unrestricted Subsidiary unless, immediately after giving effect thereto, (i) such Subsidiary does not own any capital stock or property of ITEL or a Restricted Subsidiary, (ii) such Subsidiary is not then the mortgagee under any mortgage covering property owned by ITEL or a Restricted Subsidiary and (iii) ITEL would then be able to incur at least \$1.00 of additional Senior Debt without thereby being in default under the provisions of Section 7.01. ITEL may not designate an Unrestricted Subsidiary as a Restricted Subsidiary unless, immediately after giving effect thereto, (y) ITEL would then be able to incur at least \$1.00 of additional Senior Debt without thereby being in default under the provisions of Section 7.01 and (z) such Subsidiary would not have outstanding any Funded Debt except Funded Debt of such Subsidiary authorized to be outstanding by Section 7.01. Any designation of a

Subsidiary as an Unrestricted Subsidiary or a Restricted Subsidiary shall be made by an Officer's Certificate filed with the Trustee at the Corporate Trust Office.

The words herein, hereof, hereby, hereto, hereunder and words of similar import refer to this Agreement as a whole and not to any particular Article, Section, paragraph or subdivision hereof; and all references to numbered Articles, Sections, paragraphs and subdivisions, unless the context otherwise requires or unless the references thereto specify another agreement, refer to such Articles, Sections, paragraphs and subdivisions of this Agreement.

ARTICLE TWO

Trust Certificates and Issuance Thereof

SECTION 2.01. Issuance of Trust Certificates. Without waiting for the recording or filing of this Agreement or of any other instrument respecting the Trust Equipment, the Trustee shall from time to time issue and deliver Trust Certificates in such aggregate principal amounts as ITEL shall direct by Request upon the deposit with the Trustee of an amount in cash equal to such aggregate principal amount of Trust Certificates to be issued and delivered.

Subject to the provisions of Sections 2.03, 2.07 and 2.08, the aggregate principal amount of Trust Certificates which shall be executed and delivered by the Trustee hereunder shall not exceed the sum of \$19,444,444.46. The aggregate principal amount represented by all the Trust Certificates shall be payable as hereinafter set forth.

SECTION 2.02. Interests Represented by Trust Certificates; Interest; Maturity. Each of the Trust Certificates shall represent an interest in the amount therein specified in the trust created hereunder and shall bear interest on the unpaid portion of said amount at the rate of 10-3/8% per annum, payable quarterly on March 31, June 30, September 30 and December 31 in each year from the date thereof, commencing March 31, 1979. Interest shall be payable on overdue payments of principal, premium (if any) and interest at the rate of 11-3/8% per annum, to the extent legally enforceable.

The Trust Certificates are subject to redemption on December 31 of each year commencing December 31, 1984, and terminating December 31, 1992, at 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to the date fixed for redemption, in an aggregate principal amount equal to 10% of the aggregate principal amount of the Trust Certificates issued pursuant to Section 2.01 less any credit provided for in Section 4.08 (the "Mandatory Sinking Fund Payment"). In addition, ITEL may, at its option, exercisable by a Request delivered to the Trustee at least 45 days prior to any Mandatory Sinking Fund Payment date, make an additional rental payment pursuant to Section 4.04(B)(4)(a)(ii), and the Trustee shall on such date apply such additional rental payment (and the additional consequent rental payment made pursuant to Section 4.04(B)(3)(a)) to redeem, at 100% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption, up to the same aggregate principal amount of Trust Certificates as equals the Mandatory Sinking Fund Payment payable on such date. To the extent that the optional right of redemption is not exercised on any Mandatory Sinking Fund Payment date, it shall not be cumulative or carried forward to any subsequent Mandatory Sinking Fund Payment date. The unpaid principal amount of the Trust Certificates will mature on December 31, 1993.

The Trust Certificates are redeemable (otherwise than through the operation of the Sinking Fund), as a whole or in part, at the option of ITEL, exercisable by Request delivered to the Trustee at least 45 days prior to the proposed redemption date, at the following redemption prices (expressed in percentages of principal amount), together with, in each case, accrued and unpaid interest to the date fixed for redemption:

If Redeemed During 12-Month Period Com- mencing December 31,	Optional Redemption Price
1978	110.375%
1979	109.683
1980	108.992
1981	108.300
1982	107.608

1983	.....	106.917
1984	.....	106.225
1985	.....	105.533
1986	.....	104.842
1987	.....	104.150
1988	.....	103.458
1989	.....	102.767
1990	.....	102.075
1991	.....	101.383
1992	.....	100.692

provided, however, that no such redemption may be effected prior to December 31, 1988, as part of a refunding or anticipated refunding operation by the application, directly or indirectly, of borrowed funds or the proceeds of the sale of any sinking fund preferred stock having an effective interest cost of less than 10-3/8% per annum or having, as of the date of the proposed redemption, a weighted average life to maturity less than the remaining weighted average life to maturity of the Trust Certificates to be redeemed. As used above, "weighted average life to maturity" of any indebtedness for borrowed money (including any sinking fund preferred stock) means, at the time of the determination thereof, the number of years obtained by dividing the then remaining dollar-years of such indebtedness by the then outstanding principal amount of such indebtedness. "Remaining dollar-years" of any indebtedness for borrowed money (including any sinking fund preferred stock) means the sum of the products of (1) the amount of each then remaining sinking fund, serial maturity or other required repayment, including repayment at stated maturity, times (2) the number of years (calculated to the nearest one-twelfth) which will elapse between the date of proposed redemption and the date of that required repayment.

Notwithstanding anything to the contrary in this Agreement contained, if ITEL shall have by written notice requested the consent of the holders of Trust Certificates to the issuance by ITEL or a Restricted Subsidiary of Senior Funded Debt which would at such time not be permitted to be issued pursuant to the terms of Section 7.01, and the holders of at least 66-2/3% in aggregate principal amount of the Trust Certificates shall not have consented within a period of 45 days after the giving of the written notice requesting such consent, ITEL may, at its option, within 90 days after the end of such period direct the Trustee to redeem, pursuant to a notice given as specified in Section 2.03, all, but not

a part, of the Trust Certificates held by the nonconsenting holders at 100% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption; provided, however, that, at the time the Trustee gives notice of such redemption pursuant to Section 2.03 ITEL shall have obtained a firm and bona fide commitment in customary form either from responsible lenders to lend to ITEL as Senior Funded Debt an amount, or from responsible underwriters to purchase securities of ITEL evidencing Senior Funded Debt in an amount, at least equal to (x) the principal amount of Trust Certificates as to which notice of redemption pursuant to this paragraph is being given, plus (y) the principal amount of Senior Funded Debt specified in the written notice requesting the aforesaid consent as desired to be issued by ITEL; provided, further, that, if, on or before the fifteenth day after the giving of notice of redemption, the Trustee shall have received written notice from the holder of any Trust Certificate electing not to have such holder's Trust Certificates redeemed and consenting to ITEL's request to issue such additional Senior Funded Debt, the Trustee shall not redeem the Trust Certificates of such holder and such Trust Certificates shall continue in full force and effect as though no such notice of redemption had been given; the election of any such holder not to have its Trust Certificates redeemed shall not, however, in any way affect the obligation to redeem all the Trust Certificates of nonconsenting holders who shall not have made such election; provided, further, that no such redemption may be effected prior to December 31, 1988, as part of a refunding or anticipated refunding operation by the application, directly or indirectly, of borrowed funds or the proceeds of the sale of any sinking fund preferred stock having an effective interest cost of less than 10-3/8% per annum or having, as of the date of the proposed redemption, a "weighted average life to maturity" (as defined in the immediately preceding paragraph of this Section 2.02) less than the remaining weighted average life to maturity of the Trust Certificates to be redeemed, unless ITEL shall pay a premium in an amount with respect to each Trust Certificate to be redeemed equal to the greater of (i) its proportionate share of an amount equal to the present value of the aggregate amount of the interest savings to ITEL on any obligations issued or to be issued to refund the Trust Certificates to be redeemed (such savings being computed as the total effective interest cost to ITEL of the principal amount of the Trust Certificates to be redeemed to the final maturity date thereof less the total effective interest cost to ITEL of an equal principal

amount of such refunding obligations to the earlier of the final maturity date of the Trust Certificates to be redeemed or the final maturity date of such refunding obligations, each such effective interest cost being computed by discounting such interest cost at an annual rate equal to the interest rate on such refunding obligations) or (ii) the premium which would be payable if such redemption took place at the option of ITEL, in the absence of a refunding, pursuant to the preceding paragraph; provided, further, that at the option of any holder, redemption of such holder's Trust Certificates pursuant to this paragraph shall not be completed until the proceeds of the Senior Funded Debt in respect of which the aforesaid commitment was obtained have actually been received by ITEL. Except as otherwise provided in this paragraph, any redemption pursuant to this paragraph shall be in the manner and with the effect provided in Sections 2.03 and 2.04.

Interest on the Trust Certificates shall be calculated on the basis of a 360-day year of twelve 30-day months.

The principal of, premium (if any) and interest on the Trust Certificates shall be payable at the Corporate Trust Office in such coin or currency of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts, but only from and out of rentals or other moneys received by the Trustee and applicable to such payment under the provisions hereof. Notwithstanding the provisions of the preceding sentence of this paragraph or any of the provisions of the Trust Certificates to the contrary, in the case of payments of principal, premium (if any) and interest to be made on a Trust Certificate, (i) upon request and deposit of an agreement of the holder of such Trust Certificate (the responsibility of such holder to be satisfactory to ITEL) obligating such holder, prior to any transfer or other disposition thereof, to surrender the same to the Trustee for notation thereon of the instalments of principal amount represented thereby theretofore paid in whole or in part, the Trustee will mail its check on the date each such payment is due to such registered holder at its address shown on the registry books maintained by the Trustee, without presentation of such Trust Certificate to the Trustee (except if such Trust Certificate is then to be paid in full), and (ii) ITEL may direct the Trustee by Request to make payments of principal, premium (if any) and interest to the Purchaser (or to any other person approved

by ITEL) by check or wire transfer of Federal or immediately available funds and the Trustee shall make such payment at such address and in such manner as shall be indicated to the Trustee by ITEL in such Request, without presentation of such Trust Certificate to the Trustee (except if such Trust Certificate is then to be paid in full). Each payment of principal, premium (if any) and interest made by check or wire transfer shall be identified as: "Payment of principal of [and/or interest or premium on] Itel Corporation, 10-3/8% 15 Year Rail Equipment Trust Certificates, 1978 Series 4, Due December 31, 1993."

SECTION 2.03. Selection of Trust Certificates for Redemption; Notice of Redemption. Prior to November 30 in each year, commencing November 30, 1984 and terminating November 30, 1992, the Trustee shall designate for redemption a principal amount of Trust Certificates equal to the amount of rental to be paid by ITEL to the Trustee in cash pursuant to Section 4.04(B)(4)(a) on the next succeeding December 31, and, not less than 30 days (except, in the case of a redemption pursuant to Section 7.09 or, pursuant to an Event of Default, as provided in Sections 4.06 and 4.08) prior to the date fixed for redemption of less than all the outstanding Trust Certificates (otherwise than through the operation of the Sinking Fund), the Trustee shall, subject to the provisions of the fourth paragraph of Section 2.02, designate a principal amount of Trust Certificates to be redeemed. If there is more than one holder of Trust Certificates at the time of any such payment, the Trust Certificates (or portions thereof) to be redeemed shall be designated by the Trustee by allocating the principal amount of Trust Certificates to be redeemed among the various holders of Trust Certificates (or, in the case of a redemption pursuant to the fourth paragraph of Section 2.02 or Section 4.09 or 7.09, among the various holders of Trust Certificates requesting redemption) in proportion to the outstanding aggregate principal amount of Trust Certificates registered in their respective names, and in the case of a registered holder of more than one Trust Certificate the Trustee may determine the particular Trust Certificate or Certificates to be redeemed, in whole or in part. The Trustee shall promptly notify ITEL in writing of the numbers of the Trust Certificates selected for redemption in whole or in part.

The Trustee shall send a notice of redemption of the Trust Certificates by first-class mail, postage prepaid, at least 30 days prior to each redemption date (except that

in the case of any redemption pursuant to Section 7.09 or, pursuant to an Event of Default, as provided in Sections 4.06 and 4.08, the notice will be given promptly as practicable) to the holders of Trust Certificates at their last addresses as they shall appear upon the registry book of ITEL maintained by the Trustee, but failure to receive such notice by mail, or any defect therein, shall not affect the validity of any provisions for the redemption of Trust Certificates.

Each notice of redemption (a) shall specify (i) the date fixed for redemption, (ii) the distinctive numbers of Trust Certificates to be redeemed as a whole, and the distinctive numbers of the Trust Certificates to be redeemed in part (indicating the extent of partial redemption thereof) and (iii) the redemption price and the provisions of this Agreement pursuant to which such Trust Certificates are being redeemed and (b) shall state that (i) from and after said date interest thereon or on the portion thereof to be redeemed will cease to accrue (unless there be a default in the payment of the amount due upon redemption) and (ii) payment of the redemption price shall be made by the Trustee only from and out of rentals or other moneys paid to the Trustee by ITEL and applicable thereto at the Corporate Trust Office, upon surrender of the Trust Certificates so to be redeemed in full, or upon presentation of such Trust Certificates to be redeemed in part for notation thereon of such payment, except as otherwise provided in the last paragraph of Section 2.02. The registered holders of Trust Certificates redeemed in part may, at their option and upon surrender thereof, receive a new Trust Certificate for the principal amount remaining unredeemed without charge to such holder.

The numbers of any Trust Certificates to be redeemed, required to be included in any such notice, may be stated in either of the following ways: individually, or in groups from one number to another number, both inclusive.

SECTION 2.04. Payment of Trust Certificates Called for Redemption. Notice of redemption having been given as above provided, the Trust Certificates or portions thereof called for redemption shall become due and payable on the redemption date specified in such notice of redemption, and (unless there be a default in the payment of the amount due upon redemption) from and after such redemption date interest on such Trust Certificate or portions thereof

shall cease to accrue and such Trust Certificate or portions thereof shall no longer be deemed to be outstanding hereunder and shall cease to be entitled to the benefit of this Agreement except to receive payment from the moneys reserved therefor in the hands of the Trustee. Subject to the provisions of Section 9.09, the Trustee shall hold the redemption moneys for the registered holders of the Trust Certificates or portions thereof called for redemption and, subject to the last paragraph of Section 2.02, shall pay the same to such holders respectively upon presentation and surrender of such Trust Certificates.

All Trust Certificates surrendered upon redemption under this Article Two shall be canceled by the Trustee and shall be disposed of as directed by a Request, and no Trust Certificates shall be issued hereunder in place of the principal amount thereof redeemed and paid.

SECTION 2.05. Forms of Trust Certificates and Guaranty. The Trust Certificates and the guaranty to be endorsed on each Trust Certificate by ITEL as provided in Section 6.02 shall be in substantially the form annexed hereto as Schedule B.

SECTION 2.06. Execution by Trustee. The Trust Certificates shall be signed in the name and on behalf of the Trustee by the manual or facsimile signature of an Authorized Officer of the Trustee, and its seal or a facsimile thereof shall be affixed or imprinted thereon and attested by the manual signature of one of its Authorized Officers. In case any officer of the Trustee whose signature, whether facsimile or not, shall appear on any of the Trust Certificates shall cease to be an Authorized Officer of the Trustee before the Trust Certificates shall have been delivered by the Trustee or shall not have been acting in such capacity on the date of the Trust Certificates, such Trust Certificates may be adopted by the Trustee and be delivered as though such person had not ceased to be or had then been an Authorized Officer of the Trustee.

SECTION 2.07. Characteristics of Trust Certificates.

(a) The Trust Certificates shall be registered, as to both principal and interest, in the name of the holder; shall be transferable in whole or in part and exchangeable for Trust Certificates of other denominations of

equal aggregate outstanding principal amount, without charge except as provided in Section 2.07(d), upon presentation and surrender thereof for registration of transfer or exchange at the Corporate Trust Office, accompanied, in the case of transfer, by appropriate instruments of assignment and transfer, duly executed by the registered holder of the surrendered Trust Certificate or Certificates or by its duly authorized attorney-in-fact, in form satisfactory to the Trustee; shall, in connection with the initial issuance of Trust Certificates, be dated as of the date of issue and shall, in connection with Trust Certificates issued in exchange for or upon registration of transfer of another Trust Certificate or Certificates, be dated as of the date to which interest has been paid or, if no interest has been paid thereon, as of the date of initial issuance; and shall entitle the registered holder to interest from the date thereof.

(b) Anything contained herein to the contrary notwithstanding, prior to due presentment for registration of transfer the parties hereto may deem and treat the registered holder of any Trust Certificate as the absolute owner of such Trust Certificate for all purposes and shall not be affected by any notice to the contrary.

(c) The Trustee shall cause to be kept at the Corporate Trust Office books for the registration and registration of transfer of the Trust Certificates and, upon presentation of the Trust Certificates for such purposes, the Trustee shall register any transfer as hereinabove provided, and under such reasonable regulations as it may prescribe.

(d) For any registration of transfer or exchange, the Trustee may require payment by the person requesting same of a sum sufficient to reimburse it for any governmental charge connected therewith.

(e) Each Trust Certificate delivered pursuant to any provision of this Agreement in exchange for, or upon the registration of transfer of the whole or any part of, as the case may be, one or more other Trust Certificates shall carry all the rights to principal, premium (if any) and to interest accrued and unpaid and to accrue, which were carried by the whole or such part,

as the case may be, of such one or more other Trust Certificates, and, notwithstanding anything contained in this Agreement, such Trust Certificate shall be so dated that neither gain nor loss in interest or principal or premium (if any) shall result from such exchange, substitution or registration of transfer.

(f) The Trustee shall not be required to issue, transfer or exchange Trust Certificates for a period of ten days next preceding any interest payment or redemption date.

SECTION 2.08. Replacement of Lost Trust Certificates. In case any Trust Certificate shall become mutilated or defaced or be lost, destroyed or stolen, then on the terms herein set forth, and not otherwise, the Trustee shall execute and deliver a new Trust Certificate of like tenor and date, and bearing such identifying number or designation as the Trustee may determine, in exchange and substitution for, and upon cancelation of, the mutilated or defaced Trust Certificate, or in lieu of and in substitution for the same if lost, destroyed or stolen. The applicant for a new Trust Certificate pursuant to this Section shall furnish to the Trustee and to ITEL evidence to their satisfaction of the loss, destruction or theft of such Trust Certificate alleged to have been lost, destroyed or stolen and of the ownership and authenticity of such mutilated, defaced, lost, destroyed or stolen Trust Certificate, and also shall furnish such security or indemnity as may be required by the Trustee and by ITEL in their discretion (it being understood that a letter of indemnity from the Purchaser shall be deemed acceptable by the Trustee and ITEL). All Trust Certificates are held and owned upon the express condition that the foregoing provisions are exclusive in respect of the replacement of mutilated, defaced, lost, destroyed or stolen Trust Certificates and shall preclude any and all other rights and remedies, any law or statute now existing or hereafter enacted to the contrary notwithstanding.

ARTICLE THREE

Acquisition of Trust Equipment by Trustee; Deposited Cash

SECTION 3.01. Acquisition of Equipment by Trustee. At

any time and from time to time so long as the Trustee holds Deposited Cash, ITEL shall cause to be sold to the Trustee, as trustee for the holders of the Trust Certificates, units of Equipment described in Schedule A hereto. The Trustee hereby authorizes ITEL to accept such Equipment and such other Equipment as is described in the next succeeding paragraph of this Section 3.01 on behalf of the Trustee.

In the event that ITEL shall deem it necessary or desirable to procure for the use of ITEL, and to include in the trust hereby created, other Equipment in addition to or in lieu of any units of the Equipment specifically described in Schedule A hereto prior to the acceptance of such Equipment by or on behalf of the Trustee, or in the event that any unit of the Equipment described in Schedule A hereto shall suffer a Casualty Occurrence, as defined in Section 4.08, before being accepted by or on behalf of the Trustee pursuant to this Section and Section 3.03, ITEL shall cause to be sold to the Trustee other Equipment to be substituted or added under the trust, in each case subject to compliance with the provisions of Section 3.03 and pursuant to an appropriate amendment or supplement to Schedule A hereto.

SECTION 3.02. Payment for Equipment. When and as any Equipment shall have been accepted by the Trustee or its agent or agents pursuant to Sections 3.01 and 3.03(a), the Trustee shall (subject to the provisions of Section 3.03) pay, upon Request, to the Owner of the accepted Equipment out of Deposited Cash then held by the Trustee an amount not exceeding 75% of the aggregate Cost of such Equipment, as such Cost is specified in the Officer's Certificate furnished to the Trustee pursuant to Section 3.03(b), together with, if such Equipment is acquired from the manufacturer, the balance of the aggregate Cost thereof due the manufacturer, from rentals paid therefor by ITEL pursuant to Section 4.04(A).

SECTION 3.03. Supporting Papers. The Trustee shall not pay out any Deposited Cash for the purchase of any unit of Equipment unless and until it shall have received:

(a) a bill of sale covering such unit of Equipment from the Owner to the Trustee, which bill of sale shall specify such unit of Equipment described therein by its railroad car number and shall contain a warranty or guaranty to the Trustee that the title of such

unit of Equipment described therein is free from all claims, liens, security interests and other encumbrances (except for this Agreement and the Lease and Lease Assignment specified in Section 3.03(e)) (the acceptance of such bill of sale by the Trustee constituting acceptance by the Trustee hereunder of such unit of Equipment as Trust Equipment);

(b) an Officer's Certificate, which shall state

- (i) the railroad car number of such unit of Equipment and that such unit of Equipment has been delivered to and accepted by ITEL as agent for the Trustee,
- (ii) that such unit is a unit of Equipment as herein defined, has been marked in accordance with Section 4.07, was not manufactured or put into service prior to a date specified therein, and has a useful life beyond December 31, 1993, (iii) that the Cost of such unit of Equipment is an amount therein specified or is not less than an amount therein specified, that the aggregate Cost of the units of Equipment being acquired by the Trustee from any one Owner on such date is an amount therein specified or is not less than an amount therein specified, and that the amount to be paid by the Trustee to such Owner on such date out of Deposited Cash pursuant to Section 3.02 is not more than 75% of such aggregate Cost, (iv) that (y), if the manufacturer is the Owner, upon payment by the Trustee pursuant to Section 3.02 out of Deposited Cash and any advance rental payable by ITEL pursuant to Section 4.04(A), the Cost of such unit of Equipment shall be paid or (z), if ITEL is the Owner, the Cost of such unit of Equipment has been paid to the manufacturer and any other party or parties entitled thereto, (v) that such unit of Equipment, if ITEL is the Owner, is in good operating condition and repair, as when delivered by the manufacturer thereof, (vi) that all the conditions precedent provided herein relating to such payment by the Trustee have been complied with, and (vii) that no Default or Event of Default shall have occurred or be continuing;

(c) if the manufacturer is the Owner, an invoice from the Owner of such unit of Equipment specifying the Cost thereof, the aggregate amount of cash advance payments made by ITEL for such unit of Equipment and the unpaid balance payable to the Owner and having

endorsed thereon a certification by ITEL as to the correctness thereof, and, if ITEL is the Owner, an invoice therefrom together with a copy of the invoice and bill of sale from the manufacturer thereof and an Officer's Certificate certifying that such invoice and bill of sale are true and correct and that ITEL has acquired such unit of Trust Equipment directly from the manufacturer thereof;

(d) an Insurer's Certificate as to the insurance carried with respect to such unit of Equipment, together with any other evidence requested by the Trustee as to the due compliance with the insurance provisions of Section 4.08 with respect to such unit of Equipment;

(e) an executed counterpart of a Lease and of a Lease Assignment covering such unit of Trust Equipment;

(f) an Opinion of Counsel for the Owner and (if ITEL is not the Owner) ITEL to the effect that (i) such bill of sale is valid and effective, either alone or in connection with any other instrument referred to in and accompanying such opinion, to convey to and vest in the Trustee title to such unit of Trust Equipment free from all claims, liens, security interests and other encumbrances (except for this Agreement and the Lease and Lease Assignment specified in Section 3.03(e)), and such free and clear title has been so conveyed and vested, and, in the case of the Opinion of Counsel for ITEL, (ii) the rights of the lessee under the Lease are subject and subordinate to the rights of the Trustee hereunder;

(g) an opinion of Messrs. Brobeck, Phleger & Harrison, counsel for ITEL, or an opinion of other independent counsel satisfactory to the Trustee, to the effect that (i) this Agreement and the Lease and the Lease Assignment referred to in Section 3.03 (e) have been duly authorized, executed and delivered by ITEL and constitute valid, binding and enforceable obligations of ITEL (said counsel being permitted to assume the due authorization, execution and delivery of such documents by the other parties thereto), subject, as to the enforcement of remedies, to any applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally from time to time in effect and to the applica-

tion of usual equitable principles if equitable remedies are sought, (ii) the Trustee's interest and rights in and to such unit of Trust Equipment as specified in the Equipment Trust Agreement and the Trustee's security interest in and to ITEL's interest and rights in such Lease (including, without limitation, ITEL's rights to all rentals, proceeds and other sums payable to or receivable by ITEL thereunder) insofar as such Lease relates to the Trust Equipment, are each vested and perfected and prior in right to the rights of any other persons who may hold a security interest in any such property (except that such counsel may express no opinion as to the effect of unrecorded liens, there being no such liens of which such counsel is aware) and such priority has been duly perfected, (iii) this Agreement, such Lease and such Lease Assignment have been duly filed and recorded with the Interstate Commerce Commission in accordance with §11303 of Title 49 of the United States Code and no further action, including the filing or recording of any document, is necessary or advisable to protect or perfect the title of the Trustee to such unit of Trust Equipment, the security interest of the Trustee in such Lease, or the rights of the Trustee and the holders of the Trust Certificates under this Agreement and such Lease Assignment in any state of the United States of America or the District of Columbia and (iv) no authorization or approval from any governmental agency or public or quasi-public body or authority of the United States of America, any state thereof or the District of Columbia, or of any department or subdivision of any thereof is necessary for the due execution, delivery and performance by ITEL of this Agreement, the Purchase Agreement, such Lease or such Lease Assignment or for the validity or enforceability of any thereof against ITEL or for the sale, execution or delivery of the Trust Certificates (and the guaranties endorsed thereon) or the validity, payment or enforceability thereof or any other action on the part of ITEL contemplated by this Agreement; and

(h) such other documents and evidence as the Trustee may reasonably request.

ARTICLE FOUR

Lease of Trust Equipment to ITEL

SECTION 4.01. Lease of Trust Equipment. The Trustee does hereby let and lease all the Trust Equipment to ITEL, for a period ending December 31, 1993.

SECTION 4.02. Equipment Automatically Subjected. As and when any Equipment shall from time to time be accepted hereunder by the Trustee or its agent or agents, the same shall, ipso facto and without further instrument of lease or transfer, become subject to all the terms and provisions hereof.

SECTION 4.03. Additional and Substituted Equipment Subject Hereto. In the event that ITEL shall, as provided in Section 3.01, 4.06 or 4.08, elect to cause to be sold to the Trustee other Equipment in addition to or in substitution for any of the Equipment herein specifically described or subjected hereto, such other Equipment shall be included as part of the Trust Equipment by supplement hereto to be executed by the Trustee and ITEL and to be recorded with the Interstate Commerce Commission pursuant to §11303 of Title 49 of the United States Code. Such Equipment shall be subject to all the terms and conditions hereof in all respects as though it had originally been part of the Equipment herein specifically described.

SECTION 4.04. Rental Payments. ITEL hereby accepts the lease of all the Trust Equipment; and ITEL covenants and agrees to pay to the Trustee at the Corporate Trust Office (or, in the case of taxes, to the proper taxing authority), in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, rental hereunder which shall be sufficient to pay and discharge the following items, when and as the same shall become due and payable (whether or not any of such items shall become due and payable prior to the acceptance of and lease to ITEL of any unit of the Trust Equipment):

(A) If any Trust Equipment is acquired from the manufacturer thereof, and not from ITEL, ITEL shall pay to the Trustee as hereinafter provided on the date such Equipment is acquired by the Trustee

pursuant to Article Three, as advance rental hereunder, sums which in the aggregate shall be equal to the difference between the aggregate Cost of the Trust Equipment so acquired by the Trustee and the portion of such Cost to be provided out of Deposited Cash as provided in Section 3.02 (less any part of such difference previously paid by ITEL to the manufacturer);

(B) In addition to such advance rental, ITEL shall pay to the Trustee, as hereinafter provided, as rental for the Trust Equipment (notwithstanding that any of the Trust Certificates shall have been acquired by ITEL or any Affiliate of ITEL or shall not have been presented for payment), the following:

(1) (a) the expenses of the trust hereby created, including but not limited to compensation and expenses provided for herein, and (b) an amount equal to any expenses incurred or loss of principal (including interest accrued thereupon at the time of purchase) in connection with any purchase, sale or redemption by the Trustee of Investments;

(2) any and all taxes, assessments and governmental charges upon or on account of the income or property of the trust, or upon or on account of this Agreement or any document contemplated hereby, which the Trustee as such may be required to pay;

(3) (a) the amounts of the interest payable on the Trust Certificates, when and as the same shall become payable, and (b) interest at the rate of 11-3/8% per annum from the due date, upon the amount of any installments of rental payable under this Section 4.04(B)(3) and Section 4.04(B)(4) which shall not be paid when due, to the extent legally enforceable; and

(4) (a) on or before December 31 in each year commencing December 31, 1984, and terminating December 31, 1992, as a sinking fund for the Trust Certificates, (i) an amount equal to the Mandatory Sinking Fund Payment plus (ii) such additional amount (not exceeding an amount equal to the Mandatory Sinking Fund Payment), if any, as shall be specified in the Request referred

to in the second paragraph of Section 2.02, and (b) amounts equal to the principal of and premium (if any) on the Trust Certificates, when and as the same shall become payable, whether upon the date of maturity thereof or by redemption (otherwise than through the operation of the Sinking Fund), declaration or otherwise.

All payments made under this Section 4.04 and Sections 4.06, 4.08, 4.09 and 7.09 shall be made by wire transfer in funds immediately available in New York City at or before 11:00 a.m. New York City time, on the date such payments are due.

Nothing contained herein or in the Trust Certificates shall be deemed to impose on the Trustee or on ITEL (except as provided in Section 4.04(B)(2)) any obligation to pay to the registered holder of any Trust Certificate any tax, assessment or governmental charge required by any present or future law of the United States of America, or of any state, county, municipality or other taxing authority thereof, to be paid in behalf of, or withheld from the amount payable to, the holder of any Trust Certificate.

ITEL shall not be required to pay any tax, assessment or governmental charge so long as it shall in good faith and by appropriate legal proceedings contest the validity thereof, provided that, in the judgment of the Trustee and as set forth in an Opinion of Counsel which shall have been furnished to the Trustee, the rights or interests of the Trustee or of the holders of the Trust Certificates may not be materially endangered thereby.

SECTION 4.05. Termination of Trust and Lease.
After all payments due or to become due from ITEL hereunder shall have been completed and fully made (1) such payments shall be deemed to represent payment of the full purchase price for ITEL's purchase at such time of the Trust Equipment from the Trustee, (2) any moneys remaining in the hands of the Trustee after providing for all outstanding Trust Certificates and after paying the expenses of the Trustee, including its reasonable compensation and counsel fees and expenses, shall be paid to ITEL, (3) title to all the Trust Equipment shall vest in ITEL and (4) the Trustee shall execute for record in public offices, at the expense of ITEL, such instrument or instruments in writing as reasonably shall be requested by ITEL in order to make clear upon

public records ITEL's title to all the Trust Equipment under the laws of any jurisdiction; until that time title to the Trust Equipment shall not pass to or vest in ITEL, but title to and ownership of all the Trust Equipment shall be and remain in the Trustee, notwithstanding the delivery of the Trust Equipment to and the possession and use thereof by ITEL pursuant to the terms of this Agreement.

SECTION 4.06. Substitution, Replacement and Release of Trust Equipment. Upon Request, and compliance by ITEL with the terms and conditions of this Section 4.06, the Trustee shall, at any time and from time to time, execute and deliver a bill of sale assigning and transferring to the transferee named by ITEL all the right, title and interest of the Trustee in and to any or all of the units of Trust Equipment; provided, however, that at the time of assignment or transfer of any units of Trust Equipment, (1) there shall be paid to the Trustee cash in an amount not less than the value, as of the date of such Request, of the units of Trust Equipment to be assigned or transferred by the Trustee or (2) if no Event of Default or Default shall have occurred and be continuing, there shall be conveyed to the Trustee other units of Equipment of a value not less than the value of, as of the date of such assignment or transfer, and manufactured and first put in service no earlier than, the units of Trust Equipment to be assigned or transferred by the Trustee, and having an estimated useful life beyond December 31, 1993.

At the time of delivery of any Request pursuant to the first paragraph of this Section, ITEL shall, if other Equipment is to be conveyed to the Trustee in substitution for the Trust Equipment to be assigned or transferred by the Trustee, deliver to the Trustee the following papers:

(1) an Officer's Certificate certifying (i) the value (as defined below), as of the date of said Request, of the Trust Equipment so to be assigned or transferred by the Trustee, the date such Trust Equipment was manufactured and first put into service (or that such Trust Equipment was manufactured and first put into service not later than a specified date), and that such Trust Equipment is being sold to a person other than ITEL or an Affiliate of ITEL, (ii) the value of such substituted Equipment as of such date and the date such substituted Equipment was manufactured and

first put into service (or that such substituted Equipment was manufactured and first put into service not earlier than a specified date), and that such substituted Equipment has a value not less than the value of, and was manufactured and first put in service no earlier than, the unit of Trust Equipment so to be assigned and transferred, (iii) the railroad car number of each such unit of Equipment, (iv) that each such substituted unit of Equipment has been delivered to and accepted by ITEL as agent for the Trustee, (v) that each unit so to be substituted is a unit of Equipment as herein defined, has an estimated useful life beyond December 31, 1993, and has been marked in accordance with Section 4.07, (vi) that the Cost of each such unit has been fully paid to the party or parties entitled thereto and that such unit of Equipment is in good operating condition and repair, (vii) that all conditions precedent provided herein related to such substitution have been complied with and (viii) that no Event of Default or Default hereunder has occurred or is continuing;

(2) a bill or bills of sale, an invoice or invoices, an Officer's Certificate, an Insurer's Certificate and other documents in respect of such substituted Equipment as provided for in Sections 3.03(a), (c) and (d);

(3) an executed counterpart of a supplement hereto, a Lease and a Lease Assignment covering each unit of such substituted Equipment; and

(4) an Opinion of Counsel with respect to such unit of Equipment, Lease, Lease Assignment, this Agreement (as supplemented by any supplement in connection with such substitution) and such other documents to the effect set forth in Sections 3.03(f) and (g).

At the time of delivery of any Request pursuant to the first paragraph of this Section, ITEL shall, if cash is to be paid to the Trustee in respect of the Trust Equipment to be assigned or transferred by the Trustee, deliver to the Trustee an Officer's Certificate to the effect set forth in clause 1(i) of the second paragraph of this Section 4.06.

Cash deposited with the Trustee pursuant to this Section or Section 4.08 shall be held by the Trustee and shall, from time to time, so long as no Event of Default or Default

shall have occurred and be continuing, be paid over by the Trustee to ITEL upon Request, against conveyance to the Trustee of units of Equipment (1) having a value, as of the date of said conveyance, not less than the amount of cash being paid over by the Trustee to ITEL pursuant to such Request, (2) having an estimated useful life beyond December 31, 1993, and (3) upon delivery to the Trustee of papers corresponding to those set forth in the second paragraph of this Section 4.06, with such appropriate modifications as may be approved by the Trustee; provided, however, that any such cash on deposit with the Trustee at any time when an Event of Default shall have occurred and be continuing shall be applied by the Trustee to redeem Trust Certificates equal in principal amount to the amount of such cash so deposited at 100% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption, as promptly as practicable thereafter, without regard to the 30-day prior notice of redemption required by Section 2.03.

For all purposes of this Section, where value is required to be determined in an Officer's Certificate or in connection with a Request, value shall be determined as follows (such value, the manner of the determination thereof and the actual fair value to be set forth in an Officer's Certificate delivered to the Trustee):

(1) the value of any unit of Trust Equipment assigned or transferred by the Trustee as provided in this Section 4.06 shall be deemed to be the greater of (a) the actual fair value thereof or (b) the Cost of such unit as theretofore certified to the Trustee less 1/10 of such Cost for each full period (if any) of one year elapsed from (i) the later of December 31, 1983, and the date such unit was first put into use, as certified to the Trustee, to (ii) the date of the Request furnished pursuant to this Section 4.06; and

(2) the value of any unit of Equipment conveyed to the Trustee as provided in this Section 4.06 shall be deemed to be the lesser of (a) the actual fair value thereof or (b) the Cost of such unit less 1/10 of such Cost for each full period (if any) of one year elapsed from (i) the later of December 31, 1983, and the date such unit was first put into use, as certified to the Trustee, to (ii) the date of the Request furnished pursuant to this Section 4.06.

SECTION 4.07. Marking of Trust Equipment. ITEL shall cause each unit of Trust Equipment before delivery of each such unit to be marked plainly, distinctly, permanently and conspicuously on each side of each unit of the Trust Equipment, in letters not less than one inch in height, the following legend:

"OWNED BY A BANK OR TRUST COMPANY
UNDER A SECURITY AGREEMENT FILED UNDER THE
INTERSTATE COMMERCE ACT, SECTION 20c"

or the following legend:

"OWNED BY A BANK OR TRUST COMPANY
UNDER A SECURITY AGREEMENT FILED WITH
THE INTERSTATE COMMERCE COMMISSION"

or such other words as shall be approved by the Trustee. Such marks shall be such as to be readily visible. If any of such marks shall at any time be removed, defaced or destroyed, ITEL shall cause the same to be restored or replaced.

ITEL shall not change, or permit to be changed, the railroad car numbers of any of the Trust Equipment specified in Schedule A (or any numbers of any units of Equipment which may have been added thereto or substituted therefor as herein provided) except in accordance with a statement of new numbers to be substituted therefor which previously shall have been filed with the Trustee and which shall be filed and recorded by ITEL in like manner as this Agreement.

The Trust Equipment may be lettered in an appropriate manner for convenience of identification of the leasehold interest of ITEL therein, and may also be lettered in the case of any of the Leases in such manner as may be appropriate for convenience of identification of such leasehold interest therein; but ITEL will not allow the name of any person, firm, association or corporation to be placed on any of the Trust Equipment as a designation which might reasonably be interpreted as a claim of ownership thereof by ITEL or by any person, firm, association or corporation other than the Trustee.

SECTION 4.08. Maintenance of Trust Equipment; Casualty Occurrences; Insurance. ITEL agrees that it will maintain or cause to be maintained and keep all the Trust Equipment in good order and proper repair at no cost or expense to the Trustee, unless and until it becomes worn out, unsuitable for use, lost, destroyed or damaged beyond economical repair (herein called a Casualty Occurrence). ITEL may also make or permit to be made alterations, improvements and additions to the Trust Equipment, provided, however, that no such alteration, improvement or addition shall diminish the value thereof and that each such alteration, improvement and addition shall be deemed a part of the Trust Equipment and subject to all the provisions hereof, and provided, further, however, that if no Default or Event of Default shall have occurred and be continuing, ITEL may restore the Trust Equipment to its condition preceding any such alteration and may, so long as such removal does not reduce the value the Trust Equipment would have had in the absence of such improvement or addition, remove any such improvement or addition.

Whenever any unit of Trust Equipment shall suffer a Casualty Occurrence ITEL shall, within 30 days thereafter, deliver to the Trustee an Officer's Certificate describing such Trust Equipment and stating the value thereof as of the date such Trust Equipment suffered such Casualty Occurrence. When the total value of all units of the Trust Equipment having suffered a Casualty Occurrence (exclusive of units having suffered a Casualty Occurrence in respect of which a payment shall have been made to the Trustee pursuant to this Section) shall, as of the date the last such unit of Equipment to have suffered a Casualty Occurrence shall have suffered such Casualty Occurrence, exceed \$250,000, ITEL, within 30 days of the date the last such unit of Equipment to have suffered a Casualty Occurrence shall have suffered such Casualty Occurrence, shall deposit with the Trustee an amount in cash equal to the value of all such units as of the date of such deposit. The rights and remedies of the Trustee to enforce or to recover any of the rental payments to which the Trustee is otherwise entitled hereunder shall not be affected by reason of such Casualty Occurrence. For all purposes of this paragraph, the value of any unit of Trust Equipment which suffers a Casualty Occurrence (other than a replacement unit which suffers a Casualty Occurrence) shall be deemed to be that

amount which bears the same ratio to the Cost thereof (as specified in the Officer's Certificate delivered pursuant to Section 3.03(b)) as the difference between the aggregate principal amount of the Trust Certificates issued pursuant to Section 2.01 less the principal amount of Trust Certificates redeemed pursuant to Mandatory Sinking Fund Payments on or prior to the date of determination of such value bears to the aggregate principal amount of the Trust Certificates issued pursuant to Section 2.01. For all purposes of this paragraph, the value of each replacement unit which suffers a Casualty Occurrence shall be deemed to be that amount which bears the same ratio to the value thereof (determined as provided in subparagraph (2) of the last paragraph of Section 4.06) as of the date of acquisition by the Trustee of such replacement unit, as the difference between the aggregate principal amount of the Trust Certificates issued pursuant to Section 2.01 less the principal amount of Trust Certificates redeemed pursuant to Mandatory Sinking Fund Payments on or prior to the date of determination of such value (pursuant to this paragraph and upon the happening of a Casualty Occurrence thereto) bears to the aggregate principal amount of the Trust Certificates issued pursuant to Section 2.01 less the principal amount of Trust Certificates redeemed pursuant to Mandatory Sinking Fund Payments on or prior to the date of acquisition by the Trustee of such replacement unit. Cash deposited with the Trustee pursuant to this Section shall be held by the Trustee and applied, so long as no Event of Default or Default shall have occurred and be continuing, at the election of ITEL (as evidenced by a Request) either (i) as provided in the fourth paragraph of Section 4.06 or (ii) to redeem Trust Certificates equal in principal amount to the amount of such cash so deposited at 100% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption, on the date falling 60 days after the receipt of the Request therefor, or, if an Event of Default shall have occurred and be continuing, shall be applied as provided in clause (ii) as promptly as practicable without regard to the thirty-day prior notice of redemption required by Section 2.03.

In the event that cash deposited with the Trustee pursuant to this Section is applied as provided in the fourth paragraph of Section 4.06, then, notwithstanding anything herein to the contrary, standard-gauge, general purpose boxcars rebuilt in accordance with the applicable requirements of the American Association of Railroads no

earlier than the later of December 31, 1978 or two years preceding the date of application of such cash by the Trustee to the acquisition thereof pursuant to this Section shall be deemed Equipment for the purposes of such acquisition.

Any redemption made pursuant to this Section, the fourth paragraph of Section 2.02 or Section 4.06 or 7.09 shall be credited pro rata against each annual redemption to be made thereafter pursuant to the first sentence of the second paragraph of Section 2.02.

ITEL agrees to furnish to the Trustee, on or before April 1 in each year commencing with 1979, an Officer's Certificate dated as of the preceding December 31, (1) stating the amount, description and numbers of the units of Trust Equipment that may have suffered a Casualty Occurrence or are then withdrawn for repairs (other than running repairs) since the date of the last preceding statement (or the date of this Agreement in the case of the first statement) and (2) identifying the units of Trust Equipment then being leased by ITEL as permitted hereunder (including the name of each lessee, the term of each lease and the date of each agreement pursuant to which such Trust Equipment is leased) and specifying which units of Trust Equipment are not then being leased by ITEL. The Trustee, by its agents, shall have the right once in each calendar year, but shall be under no duty, to inspect, at the expense of ITEL, the Trust Equipment, and ITEL covenants in that event to furnish to the Trustee all reasonable facilities for the making of such inspection.

ITEL will, at its own expense, cause to be carried and maintained insurance with insurers of recognized responsibility in respect of the Trust Equipment in amounts and against risks customarily insured against by United States railroad carriers on similar equipment. Any policy covering risk of loss or damage to the Trust Equipment (A) shall provide for payments thereunder to be made directly to the Trustee (to be held by the Trustee and, when any payments are due by ITEL pursuant to the second paragraph of this Section 4.08, to be credited against such payments) and (B) shall name the Trustee as an additional named insured, as its interests may appear (but without imposing upon the Trustee any obligation imposed upon the insured, including, without limitation, the liability to pay the premiums for such policies).

Notwithstanding the foregoing, ITEL will carry at its own expense public liability (including bodily injury) and property damage insurance providing coverage from insurers of recognized responsibility in an amount not less than \$10,000,000 (subject to a deductible of not more than \$25,000) for any one occurrence. All such policies of insurance (A) shall name the Trustee and each of the holders of Trust Certificates as additional named insureds (but without imposing upon any such parties any obligation imposed upon the insured, including, without limitation, the liability to pay the premiums for such policies), (B) shall provide that, in respect of the respective interests of the Trustee and the holders of Trust Certificates, the insurance shall not be invalidated by any action or inaction of ITEL or any other person (other than action or inaction of the Trustee or such holder, as the case may be) and shall insure the Trustee and the holders of Trust Certificates regardless of any breach or violation of any warranty, declaration or condition in such policies by ITEL or any other person (other than the Trustee or such holder, as the case may be) and (C) shall provide that if such insurance is cancelled for any reason whatever, or is changed in any material respect in relation to the interest of the Trustee or any of the holders of Trust Certificates, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Trustee or such holder for 30 days after receipt by the Trustee or such holder, as the case may be, of written notice by such insurers of such cancellation, change or lapse. Each liability policy (1) shall be primary without right of contribution from any other insurance which is carried by the Trustee or any holder with respect to its interest as such in the Trust Equipment and (2) shall expressly provide that all of the provisions thereof shall operate in the same manner as if there were a separate policy covering each insured, provided that such policies shall not operate to increase the insurer's limit of liability.

ITEL agrees to furnish to the Trustee, on or before April 1 in each year, commencing with the year 1979, an Insurer's Certificate as to the insurance then carried with respect to the Trust Equipment and any other evidence requested by the Trustee to the effect that the insurance then carried with respect to the Trust Equipment complies with the terms hereof.

SECTION 4.09. Possession of Trust Equipment; Security Interest in Leases. Except as provided in this Section, ITEL will not assign or transfer its rights hereunder, or transfer or lease any of the Trust Equipment or any part thereof, without the prior written consent of the Trustee; and ITEL shall not, without such prior written consent, except as herein permitted, part with the possession of, or suffer or allow to pass out of its possession or control, any of the Trust Equipment or any part thereof.

So long as no Default shall have occurred and be continuing, ITEL shall be entitled (i) to the possession of the Trust Equipment, (ii) to enter into, maintain or terminate any Lease of the Trust Equipment (but not, without the prior written consent of the holders of not less than a majority in aggregate unpaid principal amount of the Trust Certificates then outstanding, to amend any such Lease in any material respect), and (iii) to use the Trust Equipment, or to permit its use by a lessee under a Lease, in the United States of America or in Canada or in Mexico, all subject, however, to the rights and remedies of the Trustee hereunder; provided, however, (1) each such Lease shall be assigned to the Trustee pursuant to an assignment in substantially the form of a Lease Assignment and simultaneously with the entering into any such Lease (or, if later, the acquisition by the Trustee of Trust Equipment subject thereto) ITEL shall deliver to the Trustee the original counterpart of such Lease and, within 45 days after the execution of the Lease Assignment, an Officer's Certificate certifying (i) the number of counterparts of such Lease which were executed, and the number of such counterparts in the possession of ITEL, and (ii) that each counterpart of such Lease in the possession of ITEL has been stamped "Assigned to Bankers Trust Company, Trustee, under a Lease Assignment dated as of [_____, ____]", (2) not more than an aggregate of 10% of the number of the units of Trust Equipment shall be used or located at any one time outside the United States of America, (3) ITEL will not permit the lessee under any Lease to assign such Lease or any of its rights thereunder or transfer or sublease any Trust Equipment subject thereto or any part thereof, and (4) ITEL shall remain liable hereunder and under the guaranties endorsed on the Trust Certificates for the performance of all of its obligations hereunder and thereunder, to the same extent as if no such Lease had been entered into. ITEL represents and warrants that it has not heretofore made, and covenants that it will not hereafter make, any

other assignment or transfer of any Lease or any rights thereunder or interest therein, to the extent such Lease relates to the Trust Equipment. ITEL further covenants that it will deliver a copy of any amendment to any Lease to the Trustee and each holder of Trust Certificates promptly upon the execution thereof, that it will stamp each counterpart of any Lease which it may hereafter possess "Assigned to Bankers Trust Company, Trustee, under a Lease Assignment dated as of [_____, ____]" promptly upon coming into possession thereof and that it will exercise its best efforts to obtain from the lessee under each Lease a confirmation, in form satisfactory to the holders of a majority in aggregate principal amount of Trust Certificates then outstanding, (i) that each counterpart of such Lease in the possession of such lessee has been stamped "Lessor's interest assigned to Bankers Trust Company with respect to cars numbered [_____] " and (ii) that such lessee acknowledges receipt of notice of such assignment and, if requested by such holders, receipt of a copy of such Lease Assignment.

If such confirmation by any lessee under any Lease is not received by the Trustee by March 31, 1979 (or, in the case of any Lease Assignment executed thereafter, within 30 days of its execution), any holder of Trust Certificates may, within 60 days thereafter (or within 60 days after the expiration of such 30 day period) notify the Trustee and ITEL that it is requiring the redemption of a portion of the outstanding principal amount of the Trust Certificates held by it which bears the same ratio to the outstanding principal amount of the Trust Certificates held by it as the amount disbursed by the Trustee out of Deposited Cash pursuant to Section 3.02 for the acquisition of the Trust Equipment subject to such Lease (or if such Trust Equipment has replaced boxcars previously subject hereto, for the acquisition of the replaced boxcars) bears to the aggregate principal amount of Trust Certificates issued pursuant to Section 2.01, at a redemption price equal to that in effect on the date of redemption for a voluntary redemption pursuant to third paragraph of Section 2.02, together with accrued and unpaid interest to the date fixed for redemption; such redemption date shall be any date determined by the Trustee, falling not less than 30 days nor more than 60 days after receipt of such notice, and shall be effected with funds deposited by ITEL on such date pursuant to Sections

4.04(B) (3) (a) and 4.04(B) (4) (b).

SECTION 4.10. Indemnity. ITEL covenants and agrees to indemnify, protect, save and keep harmless the Trustee and its respective successors, assigns, legal representatives, agents and servants, and the holders of the Trust Certificates, from and against any and all claims (including, without limitation, claims involving strict or absolute liability), liabilities, obligations, damages, penalties, taxes (other than income taxes on fees or other compensation received by the Trustee in its capacity as Trustee hereunder and other than income taxes on payments of principal of, premium (if any) and interest on the Trust Certificates), actions, costs, suits, expenses or disbursements (including, without limitation, legal fees and expenses), or losses of any kind or nature whatsoever which may be imposed on or asserted against or suffered by the Trustee and its respective successors, assigns, legal representatives, agents and servants or the holders of the Trust Certificates arising out of or connected with this Agreement, the Trust Certificates, the Leases or the Lease Assignments or the performance or enforcement of any of the terms of any thereof, or arising out of or connected with the ownership, lease, use, sublease, operation, manufacture, purchase, acceptance, rejection, delivery, possession, replacement, maintenance, repair, condition, registration, recording, sale, return, storage, retaking of possession, or other disposition of any of the Trust Equipment, or otherwise in connection therewith (including, without limitation, any and all claims, liabilities or losses arising out of the use of any patented inventions in and about the Trust Equipment), or arising out of or connected with the administration of the trust created by this Agreement or the action or inaction of the Trustee hereunder; provided, however, ITEL shall not be obligated to indemnify, protect, save and keep harmless the Trustee for the consequences of any negligence or wilful misconduct of the Trustee. ITEL shall not be relieved from any of its obligations hereunder by reason of the assertion or enforcement of any such claims or the commencement or prosecution of any litigation in respect thereof.

SECTION 4.11. Compliance with Laws. ITEL covenants and agrees to comply in all respects with the laws of the United States of America and of all the states and other jurisdictions in which the Trust Equipment, or any unit

thereof, may be operated, and with all lawful acts, rules, regulations and orders of any commissions, boards and other, legislative, executive, administrative or judicial bodies or officers having power to regulate or supervise any of the Trust Equipment, including without limitation all lawful acts, rules, regulations and orders of any body having competent jurisdiction relating to automatic coupler devices or attachments, air brakes or other appliances; provided, however, that upon notice to the Trustee ITEL may in good faith contest the validity of any such law, act, rule, regulation or order, or the application thereof to the Trust Equipment or any part thereof, in any reasonable manner which will not in the reasonable judgment of the Trustee materially endanger the rights or interests of the Trustee or of the holders of the Trust Certificates.

ARTICLE FIVE

Events of Default and Remedies

SECTION 5.01. Events of Default. If any of the following shall occur (hereinafter called an Event of Default), whatever the reason therefor and whether it shall be voluntary or involuntary, or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body:

(a) ITEL shall default in the payment of (i) any part of the rental payable hereunder (including advance rental but excluding rental required to make Mandatory Sinking Fund Payments in respect of the Trust Certificates) or any amount payable pursuant to its guaranty of the Trust Certificates (excluding any amount in respect of the redemption of Trust Certificates pursuant to the Mandatory Sinking Fund) for more than five days after the same shall have become due and payable or (ii) that part of the rental required to make Mandatory Sinking Fund Payments in respect of the Trust Certificates or any payment, pursuant to such guaranty, of any amount in respect of the redemption of Trust Certificates pursuant to the Mandatory Sinking Fund; or

(b) ITEL shall suffer any unauthorized assignment or

transfer of its rights hereunder or shall make any unauthorized transfer or lease (including, for the purpose of this clause, contracts for the use thereof) of any of the Trust Equipment or any part thereof, or, except as herein authorized, shall part with the possession of, or suffer or allow to pass out of its possession or control, any of the Trust Equipment or any part thereof, and shall fail or refuse either to cause such assignment or transfer or lease to be canceled by agreement of all parties having any interest therein and recover possession and control of such Trust Equipment or part thereof within 30 days after the Trustee shall have demanded in writing such cancelation and recovery of possession and control, or within said 30 days to deposit with the Trustee a sum in cash equal to the value, as of the date of such unauthorized action (determined in the manner provided in subparagraph (1) of the last paragraph of Section 4.06), of such Trust Equipment or part thereof (any sum so deposited to be returned to ITEL upon the cancelation of such assignment, transfer or lease and the recovery of possession and control by ITEL of such Trust Equipment or part thereof); or

(c) ITEL shall, for more than 30 days after the Trustee shall have demanded in writing performance thereof, fail or refuse to comply with any other of the terms and covenants hereof, of the Purchase Agreement or of any Lease Assignment on its part to be kept and performed, or to make provision satisfactory to the Trustee for such compliance; or

(d) ITEL or any Subsidiary shall default in any payment of any Indebtedness, rentals or other money obligations (for purposes of this Section 5.01(d), it being assumed that the words "Restricted Subsidiary" were replaced by the word "Subsidiary" wherever such words appear, directly or through the use of the term "Capitalized Lease Rentals", in the definition of "Indebtedness") (other than any part of the rental payable by ITEL hereunder or any amount payable pursuant to ITEL's guaranty of the Trust Certificates) beyond any period of grace provided with respect thereto, or shall default in the performance of any other agreement, term or condition contained in any agreement under which any such obligation is created, and (i) the effect

of such default, if it occurs prior to the stated maturity or scheduled date for the payment thereof, is to cause, (a) Indebtedness, such rentals or other obligations to become due prior to the stated maturity or scheduled date for the payment thereof or (b) such agreement to be terminated; (ii) the aggregate principal amount of (a) Indebtedness, rentals and other obligations with respect to the payment of which ITEL or any Subsidiary is so in default and (b) Indebtedness, rentals and other obligations which are so accelerated exceeds 10% of the aggregate principal amount of all consolidated Funded Debt at the time outstanding; and (iii) such default is not cured and the related declaration of acceleration or termination, if any, is not revoked within 30 days after such event would, but for this clause (iii), constitute an Event of Default hereunder; or

(e) any material representation or warranty made by ITEL herein or in the Purchase Agreement or in any writing furnished in connection with or pursuant to this Agreement or the Purchase Agreement shall be false in any material respect as of the date as of which made; or

(f) a decree or order shall have been entered by a court of competent jurisdiction adjudging ITEL or any Restricted Subsidiary whose Net Tangible Assets are equal to not less than 10% of Consolidated Net Tangible Assets a bankrupt or insolvent or approving as properly filed a petition seeking reorganization or arrangement of ITEL or any such Restricted Subsidiary under the Bankruptcy Act, or any other Federal or state law relating to bankruptcy or insolvency, or appointing a receiver or decreeing or ordering the winding up or liquidation of the affairs of ITEL or any such Restricted Subsidiary (and such decree or order shall not have been discharged, stayed or otherwise rendered ineffective within 60 days after such entry); or

(g) ITEL or any Restricted Subsidiary whose Net Tangible Assets are equal to not less than 10% of Consolidated Net Tangible Assets shall file a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution or

liquidation law of any jurisdiction, whether now or hereafter in effect, or shall consent to the filing of any such petition against it or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due or shall consent to the appointment of a receiver, trustee or liquidator of ITEL or any such Restricted Subsidiary or action shall be taken by ITEL or any such Restricted Subsidiary in furtherance of any of the aforesaid purposes;

then, in any such case, the Trustee in its discretion may, and upon the written request of (x) the holders of a majority in aggregate principal amount of the outstanding Trust Certificates, if such request is made with respect to an Event of Default under clause (b) or (e) of this Section 5.01, or (y) the holders of 25% in aggregate principal amount of the outstanding Trust Certificates, if such request is made with respect to an Event of Default under clause (a), (c), (d), (f) or (g) of this Section 5.01, or (z) any holder of Trust Certificates if such request is made with respect to an Event of Default under clause (a) of this Section 5.01 and such holder has not received payment of any principal, premium (if any) or interest due and payable on such holder's Trust Certificates within five days after such holder shall have given written notice thereof to both ITEL and to the Trustee, the Trustee shall, by notice in writing delivered to ITEL, declare to be due and payable forthwith the entire amount of the rentals (including any unpaid advance rental, but not including rentals required for the payment of interest accruing after the date of such declaration) payable by ITEL, as set forth in Section 4.04 and not theretofore paid. Thereupon the entire amount of such rentals shall forthwith become and shall be due and payable immediately without further demand, together with interest at the rate of 11-3/8% per annum, to the extent legally enforceable, on any portion thereof overdue.

In case any one or more Events of Default shall happen, the Trustee in its discretion also may, and upon the written request of the holder or holders of the then outstanding Trust Certificates the written request of which would require the Trustee to accelerate rentals under the next preceding paragraph of this Section 5.01 as a result of the occurrence of such Event of Default shall, by notice in writing delivered to ITEL, declare the unpaid principal

of all the Trust Certificates then outstanding to be due and payable, and thereupon the same shall become and be immediately due and payable, together with interest accrued thereon.

In case ITEL shall fail to pay any installment of rental payable pursuant to Section 4.04(B)(3) or (B)(4), when and as the same shall have become due and payable hereunder, and such default shall have continued for a period of ten days, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the rentals so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against ITEL or any other obligor upon the Trust Certificates and collect in the manner provided by law out of the property of ITEL or any other obligor upon the Trust Certificates wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of ITEL under the Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of ITEL, or in case of any other similar judicial proceedings relative to ITEL, or to the creditors or property of ITEL, the Trustee, irrespective of whether the rental payments hereunder or the unpaid principal amount of the Trust Certificates shall then be due and payable as herein or therein expressed whether by declaration or otherwise and irrespective of whether the Trustee shall have made any demand or declaration pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the entire amount of the rentals (including any unpaid advance rental, but not including rentals required for the payment of interest accruing after the date of such payment of all amounts due), and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or wilful misconduct) and of the holders of the Trust Certificates

allowed in such proceedings and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the holders of the Trust Certificates and of the Trustee on their behalf; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the holders of the Trust Certificates to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the holders of the Trust Certificates, to pay to the Trustee such amount (which to the extent necessary shall be deducted and paid from the amounts payable to the holders) as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or wilful misconduct.

All rights of action and to assert claims under this Agreement or under any of the Trust Certificates may be enforced by the Trustee without the possession of any of the Trust Certificates or the production thereof at any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of the Trust Certificates. In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provisions of this Agreement to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Trust Certificates, and it shall not be necessary to make any holders of the Trust Certificates parties to such proceedings.

SECTION 5.02. Remedies. In case of the happening of any Event of Default, the Trustee may by its agents enter upon the premises of ITEL and of any Affiliate or of any lessee (or other person having acquired the use or possession of the Trust Equipment) where any of the Trust Equipment may be and take possession of all or any part of the Trust Equipment and withdraw the same from said premises, retaining all payments which up to that time may have been made on account of rental for the Trust Equipment and otherwise, and shall be entitled to collect, receive and retain all unpaid per diem, incentive per diem, mileage or other charges of any kind earned by the Trust Equipment or any part thereof, and may lease or otherwise contract for the use of the Trust Equip-

ment or any part thereof; or the Trustee may with or without retaking possession (but only after declaring due and payable the entire amount of rentals payable by ITEL and the unpaid principal of all the then outstanding Trust Certificates, as provided in Section 5.01) sell the Trust Equipment or any part thereof, free from any and all claims of ITEL at law or in equity, in one lot and as an entirety or in separate lots, at public or private sale for cash or upon credit in its discretion, and may proceed otherwise to enforce its rights and the rights of the holders of then outstanding Trust Certificates. Upon any such sale, the Trustee itself may bid for the property offered for sale or any part thereof. Any such sale may be held or conducted at such place and at such time as the Trustee may specify, or as may be required by law, and without gathering at the place of sale the Trust Equipment to be sold, and in general in such manner as the Trustee may determine, but so that ITEL may and shall have a reasonable opportunity to bid at any such sale. Upon such taking possession or withdrawal, lease or sale of the Trust Equipment, ITEL shall cease to have any rights or remedies in respect of the Trust Equipment hereunder, but all such rights and remedies shall be deemed thenceforth to have been waived and surrendered by ITEL and no payments theretofore made by ITEL for the rent or use of the Trust Equipment or any of it shall give to ITEL any legal or equitable interest or title in or to the Trust Equipment or any of it or any cause or right of action at law or in equity in respect of the Trust Equipment against the Trustee or the holders of interests hereunder. No such taking of possession, withdrawal, lease or sale of the Trust Equipment by the Trustee shall be a bar to the recovery by the Trustee from ITEL of rentals then or thereafter due and payable, or of principal, premium (if any) and interest in respect of the Trust Certificates, and ITEL shall be and remain liable for the same until such sums have been realized as, with the proceeds of the lease or sale of the Trust Equipment, shall be sufficient for the discharge and payment in full of all the obligations of ITEL under this Agreement.

SECTION 5.03. Application of Proceeds. If the Trustee shall exercise any of the powers conferred upon it by Sections 5.01 and 5.02, all payments made by ITEL to the Trustee, and the proceeds of any judgment collected from ITEL by the Trustee; and the proceeds of every sale or lease by the Trustee of any of the Trust Equipment, together with any other sums which may then be held by the Trustee under

any of the provisions hereof (other than sums held in trust for the payment of specific Trust Certificates or a part thereof, or interest thereon) shall be applied by the Trustee to the payment in the following order of priority, (a) of all proper charges, expenses or advances made or incurred by the Trustee in accordance with the provisions of this Agreement and (b) of the principal of, premium (if any) and interest on the Trust Certificates then due and payable, whether by declaration of acceleration or otherwise, with interest on any overdue portion thereof at the rate of 11-3/8% per annum, to the extent legally enforceable, all such payments to be in full if such proceeds shall be sufficient, and if not sufficient, then pro rata without preference between principal, premium (if any) and interest. If after applying all such sums of money realized by the Trustee as aforesaid there shall remain any amount due to the Trustee under the provisions hereof, ITEL agrees to pay the amount of such deficit to the Trustee.

SECTION 5.04. Waivers of Default. Prior to the declaration of the acceleration of the maturity of the rentals and of the maturity of all the Trust Certificates as provided in Section 5.01, the holders of not less than 66-2/3% in aggregate unpaid principal amount of the Trust Certificates at the time outstanding may on behalf of the holders of all the Trust Certificates waive by an instrument in writing delivered to the Trustee any past default and its consequences, except a default in the payment of any installment of rental payable pursuant to Section 4.04(B) (3) or (B) (4) or in the payment of any amount payable pursuant to ITEL's guaranty of the Trust Certificates, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

If at any time after the principal of all the Trust Certificates shall have been declared and become due and payable or if at any time after the entire amount of rentals shall have been declared and become due and payable, all as provided in Section 5.01, but before December 31, 1993, all arrears of rent (with interest at the rate of 11-3/8% per annum upon any overdue installments, to the extent legally enforceable), the expenses and reasonable compensation of the Trustee, together with all expenses of the trust occasioned by ITEL's default, and all other sums which shall have become due and payable by ITEL hereunder shall be paid by ITEL before any sale by the Trustee of

any of the Trust Equipment, and every other default shall be made good or secured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall be made therefor, then, and in every such case, the Trustee, if so requested in writing by the holders of a majority in aggregate unpaid principal amount of the Trust Certificates then outstanding, shall by written notice to ITEL waive the default by reason of which there shall have been such declaration or declarations and the consequences of such default, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 5.05. Obligations of ITEL Not Affected by Remedies. No retaking of possession of the Trust Equipment by the Trustee, or any withdrawal, lease or sale thereof, nor any action or failure or omission to act against ITEL or in respect of the Trust Equipment on the part of the Trustee or on the part of the holder of any Trust Certificate, nor any delay or indulgence granted to ITEL by the Trustee or by any such holder, shall affect the obligations of ITEL hereunder or the obligations of ITEL under the guaranties endorsed on the Trust Certificates.

SECTION 5.06. ITEL To Deliver Trust Equipment to Trustee. In case an Event of Default shall occur and be continuing and the Trustee shall demand possession of any of the Trust Equipment ITEL will, as soon as possible and at its expense, cause such Trust Equipment to be drawn to such point or points as shall reasonably be designated by the Trustee and will there deliver or cause to be delivered the same to the Trustee; or, at the option of the Trustee, the Trustee may keep such Trust Equipment, at the expense of ITEL, on any lines of railroad or premises approved by the Trustee until the Trustee shall have leased, sold or otherwise disposed of the same. The performance of the foregoing covenant is of the essence of this Agreement, and upon application to any court having jurisdiction in the premises, the Trustee shall be entitled to a decree against ITEL, requiring the specific performance thereof.

SECTION 5.07. Trustee to Give Notice of Default. The Trustee shall give to the registered holders of the Trust Certificates notice of each Event of Default or Default hereunder actually known to the Trustee at its Corporate Trust Office, immediately after it so learns of the same.

SECTION 5.08. Control by Holders of Trust Certificates. The registered holders of a majority in aggregate unpaid principal amount of the then outstanding Trust Certificates, by an instrument or instruments in writing executed and delivered to the Trustee, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that the Trustee shall have the right to decline to follow any such direction (i) if the Trustee shall be advised by counsel that the action so directed may not lawfully be taken or (ii) if the Trustee shall be advised by counsel that the action so directed may involve it in personal liability as to which the holders have not agreed fully to indemnify the Trustee. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with any such direction given hereunder.

SECTION 5.09. Remedies Cumulative; Subject to Mandatory Requirements of Law. The remedies in this Agreement provided in favor of the Trustee and the holders of the Trust Certificates, or any of them, shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in their favor existing at law or in equity; and such remedies so provided in this Agreement shall be subject in all respects to any mandatory requirements of law at the time applicable thereto, to the extent such requirements may not be waived on the part of ITEL.

SECTION 5.10. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any holder of any Trust Certificate to exercise any right, power or remedy accruing upon any Default or Event of Default shall impair any such right, power or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right, power and remedy given by this Article Five or by law to the Trustee or to such holder may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by such holder, as the case may be.

ARTICLE SIX

Additional Covenants and Agreements by ITEL

SECTION 6.01. Guaranty of ITEL. ITEL uncondi-

tionally covenants, agrees and guarantees to each holder of a Trust Certificate executed and delivered by the Trustee the due and punctual payment of the principal of, premium (if any) and interest on, such Trust Certificate, when and as the same shall become due and payable, whether at maturity, upon acceleration or otherwise, including interest on overdue amounts as provided herein and therein, and the due and punctual payment of all other amounts payable to the holder of each Trust Certificate pursuant to the terms of this Agreement. In case any such principal, premium (if any), interest or other amount is not punctually paid as provided herein, ITEL hereby agrees to cause such payment to be made punctually when and as the same shall become due and payable, whether at maturity, upon acceleration or otherwise, as if such payment were made as provided herein. ITEL hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of any or all of the Trust Certificates, the absence of any action to enforce the same, the waiver or consent by the holder of any Trust Certificate, ITEL or the Trustee with respect to any provisions thereof or of this Agreement, the recovery of any judgment against any person or any action to enforce the same, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor and irrespective of any other circumstance which might otherwise limit the recourse against ITEL by the holder of any Trust Certificate. ITEL hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of any proceeding with respect to the rentals or other properties received by the Trustee hereunder, any right to require a proceeding first against the rentals or other properties received by the Trustee hereunder, protest or notice of any kind with respect to each Trust Certificate or the interest evidenced thereby and all demands whatsoever, and ITEL hereby covenants that this guaranty will not be discharged except by payment as herein provided and then only to the extent of such payment.

SECTION 6.02. Execution of the Guaranty Endorsed on the Trust Certificates. ITEL agrees to endorse upon each of the Trust Certificates delivered pursuant hereto (whether pursuant to Section 2.01, 2.03, 2.07 or 2.08), at or before the execution and delivery thereof by the Trustee, its guaranty, in substantially the form set forth in Schedule B hereto. Said guaranty so endorsed shall be signed in the name and on behalf of ITEL by the manual signature

of the President, any Vice President or the Treasurer of ITEL or of ITEL's Transportation Services Group or Rail Division. In case any such officer whose signature shall appear on said guaranty shall cease to be such officer before the Trust Certificates shall have been executed and delivered by the Trustee, or shall not have been acting in such capacity on the date of the Trust Certificates, such guaranty shall nevertheless be as effective and binding upon ITEL as though the person who signed said guaranty had not ceased to be or had then been such officer.

SECTION 6.03. Discharge of Liens. ITEL covenants and agrees that it will pay and discharge, or cause to be paid and discharged, or make adequate provision for the satisfaction or discharge of, any debt, tax, charge, assessment, obligation or claim which if unpaid might become a lien, charge, security interest or other encumbrance upon or against any of the Trust Equipment or its rights under any Lease thereof; but this provision shall not require the payment of any such debt, tax, charge, assessment, obligation or claim so long as, after written notice by ITEL to the Trustee, the validity thereof shall be contested in good faith and by appropriate legal proceedings, provided that such contest will not materially endanger the rights or interest of the Trustee or of the holders of the Trust Certificates and ITEL shall have furnished the Trustee with an Opinion of Counsel to such effect. If ITEL does not forthwith pay and discharge or cause to be paid and discharged, or make adequate provision for the satisfaction or discharge of, any such debt, tax, charge, assessment, obligation or claim as required by this Section, the Trustee may, but shall not be obligated to, pay and discharge the same and any amount so paid shall be secured by and under this Agreement until reimbursed by ITEL.

SECTION 6.04. Recording. ITEL will, at its expense, promptly after the execution and delivery of this Agreement, each Lease covering Trust Equipment, each Lease Assignment and each supplement or amendment hereto or thereto, cause the same to be duly filed and recorded with the Interstate Commerce Commission in accordance with §11303 of Title 49 of the United States Code, and will also from time to time execute and file in the United States such financing statements and continuation statements with respect to any property subject hereto or thereto as may be reasonably requested by the Trustee pursuant to the Uniform Commercial Code as in effect in

any jurisdiction (and, if so requested, will deliver an Opinion of Counsel with respect to such filings and the absence of filings by any other person under the Uniform Commercial Code with respect to such property). ITEL will, at its expense, from time to time do and perform any other act and will execute, acknowledge, deliver, file and record and will refile and rerecord any and all further instruments required by the laws of the United States of America or any state thereof or the District of Columbia or reasonably requested by the Trustee for the purposes of proper protection of the title of the Trustee and the rights of the holders of the Trust Certificates and of fully carrying out and effectuating this Agreement and the intent hereof.

SECTION 6.05. Opinions of Counsel. Promptly after the execution and delivery of this Agreement, each Lease, each Lease Assignment and each supplement or amendment hereto or thereto, ITEL will furnish to the Trustee an Opinion of Counsel stating that, in the opinion of such counsel, such document has been properly filed and recorded and refiled and rerecorded, if necessary or advisable, and any other necessary or advisable action has been taken, so as effectively to protect and perfect the title of the Trustee to the Trust Equipment and the security interest of the Trustee in the Lease covered by such Lease Assignment, under the laws of the United States of America or any state thereof or the District of Columbia and its rights and the rights of the holders of the Trust Certificates hereunder and under such Lease Assignment and reciting the details of such action and that, in the case of any Lease, the rights of the lessee thereunder are subject and subordinate to the rights of the Trustee hereunder.

ITEL will furnish to the Trustee on or before April 30, 1979 and on or before each April 30 thereafter, an Opinion of Counsel stating:

(a) that, in the opinion of such counsel, (i) such filing and recording has been made and other action taken as is necessary or advisable to protect and perfect and maintain the protection and perfection of, in any state of the United States and the District of Columbia, the title of the Trustee to the Trust Equipment, the security interest of the Trustee in each Lease, and its rights and the rights of the holders of the Trust Certificates hereunder and

under the Lease Assignment pertaining thereto and reciting the details of such action, or (ii) no such action is necessary or advisable to protect, perfect or maintain the protection and perfection of, in any state of the United States or the District of Columbia, the title of the Trustee to the Trust Equipment, the security interest of the Trustee in each Lease and its rights and the rights of the holders of the Trust Certificates hereunder and under the Lease Assignment pertaining thereto; and

(b) such action, if any, as is necessary or advisable during the next succeeding 18 months to protect, perfect and maintain the protection and perfection of, in any state of the United States and the District of Columbia, the title of the Trustee to the Trust Equipment, the security interest of the Trustee in each Lease and its rights and the rights of the holders of the Trust Certificates hereunder and under the Lease Assignment pertaining thereto.

If, pursuant to Section 6.04, any Uniform Commercial Code filings have been made, such opinion will also cover the necessity or advisability of any continuation statements with respect thereto.

SECTION 6.06. Certificates as to Defaults. ITEL shall furnish to the Trustee copies of any certificate furnished to any holder of Trust Certificates pursuant to clauses (iii) or (iv) of Section 4 of the Purchase Agreement promptly upon the furnishing thereof to the holders.

SECTION 6.07. Further Assurances. ITEL covenants and agrees that from time to time it will, at its expense, do all such acts and execute all such instruments of further assurance as it shall be reasonably requested by the Trustee to do or execute for the purpose of fully carrying out and effectuating this Agreement and the intent hereof.

SECTION 6.08. Compliance with Purchase Agreement. ITEL covenants and agrees, for the benefit of all of the holders of the Trust Certificates, that it will perform and comply with each covenant and obligation pertaining to it and contained in the Purchase Agreement.

SECTION 6.09. Maintenance of Corporate Existence, Rights, etc. ITEL will at all times cause to be done all things necessary to maintain, preserve and renew its corporate existence, rights and franchises and the corporate existence,

rights and franchises of its Restricted Subsidiaries; provided, however, that nothing in this Section 6.09 shall (a) require ITEL or any Restricted Subsidiary to maintain, preserve or renew any right or franchise which is not material to the conduct of the business of ITEL and its Restricted Subsidiaries (taken as a whole), (b) prevent a consolidation or merger involving ITEL or a Restricted Subsidiary which is not prohibited by the provisions of Section 7.04 hereof or (c) prevent the dissolution of a Restricted Subsidiary if, pursuant to such dissolution, all of its assets are transferred to ITEL, as if such Restricted Subsidiary were merged into ITEL.

SECTION 6.10. Maintenance of Properties, etc. ITEL will, insofar as it is not prevented by causes beyond its control, (i) at all times maintain, preserve, protect and keep or cause to be maintained, preserved, protected and kept its properties and assets and the properties and assets of its Restricted Subsidiaries in good repair, working order and condition and (ii) from time to time make or cause to be made all repairs, renewals, replacements, extensions, additions, betterments and improvements to such properties and assets as are needful and proper, so that the business carried on in connection therewith may be conducted properly and efficiently at all times; provided, however, that nothing in this Section 6.10 shall prevent ITEL or any Restricted Subsidiary from selling, abandoning or otherwise disposing of any property or asset (a) if such property or asset is no longer of use in the business of ITEL or the Restricted Subsidiary owning the same and (b) if such sale, abandonment or other disposition is not prohibited by the provisions of Section 7.09 hereof.

SECTION 6.11. Insurance. ITEL will provide, or cause to be provided for itself and each of its Restricted Subsidiaries, with insurers of recognized responsibility and by such methods as shall be adequate, such insurance against casualties, losses and liabilities (other than in respect of Trust Equipment) of the kinds customarily insured against by corporations similarly situated, in such amounts and subject only to such exclusions and deductibles as customarily would be applicable to insurance carried by such corporations.

SECTION 6.12. Payment of Indebtedness. ITEL will, and will cause each Restricted Subsidiary to, (but only to the extent that the assets of such Restricted Subsidiary shall be sufficient for the purpose) pay punctually and discharge

when due, or renew or extend, any Indebtedness heretofore or hereafter incurred by it or any of them, as the case may be, for money borrowed; provided, however, that nothing in this Section 6.12 shall require ITEL or any such Restricted Subsidiary to pay or discharge or renew or extend any such Indebtedness so long as ITEL or such Restricted Subsidiary in good faith shall contest any claim that may be asserted against it in respect of any such Indebtedness and shall, to the extent required by generally accepted accounting principles, set aside on its books adequate reserves with respect thereto.

SECTION 6.13. Proper Books of Record and Account. ITEL will, and will cause each Restricted Subsidiary to, at all times keep proper books of record and account in which full, true and correct entries will be made of its transactions in accordance with generally accepted accounting principles.

SECTION 6.14. Compliance with Laws, etc. ITEL will, and will cause each Restricted Subsidiary to, comply in all material respects with all laws and regulations of the United States of America and of all foreign countries having jurisdiction and of any state or municipality or other governmental unit, and of any subdivision or agency of any governmental unit, which are applicable in any material respect to the conduct of business or the ownership or leasing of property by ITEL and such Restricted Subsidiaries; provided, however, that nothing in this Section 6.14 shall require ITEL or any Restricted Subsidiary to comply with any law or regulation so long as ITEL or such Restricted Subsidiary in good faith by appropriate proceedings shall contest the validity or applicability thereof.

SECTION 6.15. ERISA Compliance. Neither ITEL nor any of its Subsidiaries will at any time permit any employee pension benefit plan, as such term is defined in Section 3 of the Employee Retirement Income Security Act of 1974 ("ERISA"), to (a) engage in any transaction which could result in a liability of ITEL or a Subsidiary under Section 409 of ERISA or Section 4975 of the Internal Revenue Code of 1954, as amended, or pursuant to any agreement or statute with respect to liabilities incurred by any person under such sections, (b) incur any "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of said Code), whether or not waived, and (c) terminate, or suffer to be terminated, any such employee pension benefit plan in a manner which could result in the imposition of a lien on any property or assets

of ITEL or a Subsidiary pursuant to Section 4068 of ERISA.

ARTICLE SEVEN

Negative Covenants

ITEL covenants and agrees that from the date hereof and until payment in full of the principal, premium (if any) and interest on the Trust Certificates, unless holders of not less than 66-2/3% in aggregate principal amount of Trust Certificates then outstanding shall otherwise consent in writing, it will not, nor will it permit any Restricted Subsidiary to:

SECTION 7.01. Indebtedness. Incur, create, assume or permit to exist any Indebtedness except

(a) Subordinated Debt as shown on the Consolidated Balance Sheet to the extent such Subordinated Debt is outstanding on the date hereof;

(b) additional Subordinated Debt; provided, however, that, at the time of and after giving effect to the incurrence thereof, the aggregate of Consolidated Subordinated Debt will not exceed 100% of Consolidated Stockholders' Equity;

(c) Senior Funded Debt as shown on the Consolidated Balance Sheet to the extent such Senior Funded Debt is outstanding on the date hereof;

(d) additional Senior Funded Debt; provided, however, that, at the time of and after giving effect to the incurrence thereof, the total of all Consolidated Senior Funded Debt (including, for purposes of this Section 7.01(d) only, the highest aggregate principal amount of Short Term Debt of ITEL and its Restricted Subsidiaries outstanding on any one day during the 30 consecutive day period during the immediately preceding 12 month period during which ITEL and its Restricted Subsidiaries had outstanding the lowest aggregate principal amount of Short Term Debt) will not exceed (i) 375%, if such Senior Funded Debt is incurred on or prior to December 31, 1982, or (ii) 350%, if such

Senior Funded Debt is incurred on or after January 1, 1983, of the Consolidated Senior Borrowing Base;

(e) such of the Indebtedness of a corporation as exists at the time when, within the limitations set forth in Section 7.04, (i) such corporation hereafter becomes a Restricted Subsidiary of or is merged into ITEL or one of its Restricted Subsidiaries, or (ii) substantially all the assets of such corporation are acquired by ITEL or one of its Restricted Subsidiaries; provided, however, that the relevant debt tests of Sections 7.01(b) and (d) shall at all times be met as if such Indebtedness was then being incurred; and

(f) Short Term Debt, provided, however, that ITEL shall not at any time create, assume or suffer to exist any Short Term Debt unless there shall have been a period of at least 30 consecutive days in the immediately preceding 12 month period during which ITEL had no Short Term Debt outstanding, provided, further, that on any date when ITEL is prohibited from creating, assuming or suffering to exist Short Term Debt by the provisions of the foregoing proviso of this Section 7.01(f), ITEL may nevertheless create, assume or suffer to exist Short Term Debt if throughout the 30 consecutive day period during such 12 month period during which ITEL and its Restricted Subsidiaries had outstanding the lowest aggregate principal amount of Short Term Debt, ITEL was permitted by Section 7.01(d) to incur additional Senior Funded Debt equal to the highest aggregate principal amount of Short Term Debt of ITEL and its Restricted Subsidiaries outstanding on any one day during such 30 day period.

SECTION 7.02. Liens. Incur, create, assume or permit to exist any mortgage, pledge, lien, charge or other security interest or encumbrance of any nature whatsoever (including conditional sales or other title retention agreements) on any property or assets now owned or hereafter acquired by it, other than (so long as any such mortgage, pledge, lien, charge or other security interest or encumbrance is not with respect to the Trust Equipment, any Lease or any Lease Assignment, except to the extent permitted by Section 4.09):

(a) liens for taxes or assessments and similar charges not referred to in Section 6.03, either (i)

not delinquent or (ii) being contested in good faith by appropriate proceedings;

(b) liens incurred or pledges and deposits in connection with workmen's compensation, unemployment insurance, old-age pensions and other social security benefits or securing the performance of bids, tenders, leases, contracts (other than for the repayment of borrowed money), statutory obligations, surety and appeal bonds and other obligations of like nature, incurred as an incident to and in the ordinary course of business;

(c) statutory liens of landlords and other liens imposed by law, such as mechanics', carriers', warehousemen's, materialmen's and vendors' liens, incurred in good faith in the ordinary course of business, and deposits made in the ordinary course of business to obtain the release of any such liens;

(d) zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under or asserted by a landlord or owner of the leased property, with or without consent of the lessee), none of which, in the opinion of ITEL, materially impairs the use of such property in the operation of the business of ITEL or any Restricted Subsidiary or the value of such property for the purpose of such business;

(e) liens created by or resulting from any litigation or proceeding which is currently being contested in good faith by appropriate proceedings and as to which ITEL or a Restricted Subsidiary, as the case may be, shall have to set aside on its books adequate reserves;

(f) subject to each and every other provision of this Article Seven, leases, security agreements, mortgages, conditional sales or title retention contracts to secure the purchase price of fixed or capital assets purchased or leased by ITEL or any of its Restricted Subsidiaries or existing on such fixed or capital assets at the time of purchase or lease, or any renewal,

extension or refunding (in an amount not in excess of the then outstanding Indebtedness) of the same, or to secure Indebtedness (in an amount not in excess of the lesser of the cost or fair market value of the fixed or capital assets hereinafter referred to) incurred by ITEL or any of its Restricted Subsidiaries for the purpose of reimbursing itself for the cost of acquisition and/or the cost of improvement of fixed or capital assets owned or leased by ITEL or any of its Restricted Subsidiaries, provided that each such lease, security agreement, mortgage, conditional sales or title retention contract shall at all times be confined solely to the fixed or capital assets so purchased, leased or refinanced;

(g) liens on the property or assets of any Restricted Subsidiary securing Indebtedness of such Restricted Subsidiary to ITEL;

(h) subject to each and every other provision of this Article Seven, liens securing Indebtedness permitted by Sections 7.01(c), (d) and (e), excluding Subordinated Indebtedness permitted by Section 7.01(e); and

(i) liens incidental to the conduct of the respective businesses of ITEL and its Restricted Subsidiaries or the ownership of their respective properties and assets which were not incurred to secure any Indebtedness of ITEL or of any Restricted Subsidiary and which do not in the aggregate materially detract from the value of such properties and assets or materially impair the use thereof in the operation of the respective businesses of ITEL and its Restricted Subsidiaries.

In addition, neither ITEL nor any Restricted Subsidiary shall at any time hereafter incur, create or assume any mortgage, pledge, lien, charge or other security interest or encumbrance of any nature whatsoever on any property or assets now owned or hereafter acquired by it securing any of its obligations which were theretofore unsecured (unless such obligations were theretofore subject to an agreement under which the obligee had the option to have the same so secured) unless ITEL equally and ratably secures the payment of all rentals and Indebtedness payable by it under this Agreement and the guaranties endorsed on the Trust Certificates.

SECTION 7.03. Capital Distributions. Declare or pay any dividend on the capital stock of ITEL or any Restricted Subsidiary (other than dividends payable solely in shares of the common stock of ITEL or such Restricted Subsidiary or dividends payable by a Restricted Subsidiary to ITEL), or redeem, retire, purchase or otherwise acquire, directly or indirectly, for value any share of the capital stock of ITEL or any Restricted Subsidiary, or make optional prepayments of Subordinated Debt by way of sinking fund or otherwise, or make any Restricted Investment (all of the foregoing being hereinafter called Restricted Payments), except that, so long as no Event of Default or Default shall have occurred and be continuing, ITEL or any Restricted Subsidiary may make Restricted Payments if the sum of all Restricted Payments made after December 31, 1976, plus the Restricted Payments then proposed to be made shall not exceed the sum (hereinafter called the Maximum Restricted Payment) of (i) 75% of Consolidated Net Income for the period from January 1, 1977, to the date of the declaration or payment of the Restricted Payment or Payments proposed to be made (taken as one accounting period), (ii) net cash proceeds realized by ITEL and its Restricted Subsidiaries after December 31, 1976, from the issuance of, or the conversion of other securities of ITEL and/or any Restricted Subsidiary to, capital stock of ITEL and/or its Restricted Subsidiaries, (iii) \$5,000,000 and (iv) in the case of a Restricted Investment only, 15% of Consolidated Net Tangible Assets as of the date of making such Restricted Investment.

Nothing contained in the foregoing shall prevent (i) the payment of any dividend on the capital stock of ITEL or any Restricted Subsidiary within 90 days after the date of declaration thereof if, at the time of such declaration and after giving effect thereto, there was compliance with the provisions hereof or (ii) the retirement of any shares of the capital stock of ITEL by exchange for, or out of the proceeds of the substantially concurrent sale of, other shares of its capital stock. If ITEL shall at any time retire any shares of its capital stock pursuant to clause (ii) of this paragraph, such retirement and any such proceeds shall not be included in any computation thereafter made of the Maximum Restricted Payment.

For purposes of calculating at any time the aggregate amount of Restricted Payments, the value of any Restricted

Investment in an Unrestricted Subsidiary shall be deemed to be the net book value of such investment at the time such investment was first made reduced by the amount of any repayment of such investment made by such Unrestricted Subsidiary.

SECTION 7.04. Consolidations and Mergers. Consolidate with or merge into any corporation, except (i) ITEL may merge or consolidate with another corporation if ITEL is the survivor of such merger or consolidation and immediately after the consummation of such merger or consolidation, and after giving effect thereto, no Default or Event of Default would exist, (ii) any Restricted Subsidiary may be merged into any other Restricted Subsidiary and (iii) any Restricted Subsidiary may merge or consolidate with an Unrestricted Subsidiary if (a) the surviving corporation is a Restricted Subsidiary, and (b) immediately after the consummation of such merger or consolidation, and after giving effect thereto, no Default or Event of Default would exist, provided that for purposes of this clause (iii) any indebtedness of any such Unrestricted Subsidiary assumed (whether expressly or by operation of law) by the Restricted Subsidiary into which such Unrestricted Subsidiary shall be merged or consolidated shall for all purposes hereof be deemed to be Indebtedness of such Restricted Subsidiary incurred on the effective date of such merger or consolidation.

SECTION 7.05. Stockholders' Equity. In the case of ITEL, permit the Consolidated Stockholders' Equity of ITEL at any time to be less than \$130,000,000.

SECTION 7.06. Cash Flow. Permit Cash Flow for the twelve month period ending on the last day of any fiscal year to be less than 100% of the aggregate of all payments of principal of Consolidated Funded Debt which are scheduled to be made during the next succeeding twelve consecutive month period.

SECTION 7.07. Interest Coverage. Permit at the end of any quarterly fiscal period of ITEL, Consolidated Earnings Available for Interest Coverage for such fiscal period then ending and the three quarterly fiscal periods next preceding such fiscal period then ending to be less than 150% of Consolidated Interest Expense.

SECTION 7.08. Commercial Paper. Issue or sell any commercial paper or other similar Short-Term Debt

contemplated to be retired through the future issuance and sale of other Short-Term Debt unless, after giving effect thereto, the aggregate principal amount thereof then outstanding shall not exceed the aggregate amount of bank credit lines then unused and available to ITEL and its Restricted Subsidiaries under then outstanding credit or loan agreements.

SECTION 7.09. Disposal of Securities or Sale of Assets. Sell, transfer, assign or otherwise dispose of (i) any equity or debt security owned by it of a Restricted Subsidiary (except for the purpose of qualifying directors) or (ii) all or a substantial portion of its assets unless (A) in the case of any sale, transfer, assignment or other disposition of any equity or debt security of a Restricted Subsidiary, (1) such disposition is of all such securities owned, directly or indirectly, by ITEL and its Subsidiaries immediately prior to such disposition, and (2) the corporation whose securities have been so disposed of does not own, directly or indirectly, after such disposition any equity or debt security of ITEL or any Restricted Subsidiary, (B) the sale, transfer, assignment or other disposition of such securities or assets is not made to an Affiliate of the corporation making such disposition, is for fair value (a resolution of the Board of Directors of ITEL to the effect that such disposition is for fair value being determinative thereof) and is in the best interests of ITEL, (C) either (1) the sum of (y) the net book value of such securities or assets sold, transferred, assigned or otherwise disposed of, plus (z) the net book value of any other equity or debt securities of any Restricted Subsidiary theretofore owned by ITEL or any Restricted Subsidiary sold, transferred, assigned or otherwise disposed of during the twelve consecutive month period next preceding the date of disposition referred to in clause (y) above and the net book value of any other assets of ITEL or any Restricted Subsidiary sold, transferred, assigned or otherwise disposed of during the twelve consecutive month period next preceding the date of the disposition referred to in clause (y) above does not exceed 20% of Consolidated Stockholders' Equity at the time of the disposition referred to in clause (y) above or (2) if such sum exceeds 20% of such Consolidated Stockholders' Equity, ITEL shall offer at the time of the disposition referred to in clause (y) above by written notice to all the holders of Trust Certificates then outstanding to deposit funds with the Trustee in an amount which bears

the same ratio to such excess as the ratio of (aa) the principal amount of Trust Certificates outstanding at the time of the disposition referred to in clause (y) above the holders of which have consented to the redemption by filing with the Trustee a written consent thereto within 30 days after ITEL shall have given the written notice referred to above of its offer so to redeem Trust Certificates to (bb) Consolidated Senior Funded Debt outstanding at the time of the disposition referred to in clause (y) above (such funds to be deposited with the Trustee not less than 30 and not more than 45 days after the giving of such notice and to be applied on the date of deposit to the redemption, at 100% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption, of Trust Certificates held by such consenting holders equal in principal amount to the amount of such funds so deposited), (D) the sum referred to in clause (C) above does not exceed 20% of Consolidated Net Tangible Assets at the time of the disposition referred to in clause (C)(1)(y) above and (E) at the time of and after giving effect thereto ITEL shall not be in default under any provision of this Article Seven.

ARTICLE EIGHT

Concerning the Holders of Trust Certificates

SECTION 8.01. Evidence of Action Taken by Holders of Trust Certificates. Whenever in this Agreement it is provided that the holders of a specified percentage in aggregate unpaid principal amount of the Trust Certificates may take action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by any instrument or any number of instruments of similar tenor executed by holders of Trust Certificates in person or by agent or proxy appointed in writing.

SECTION 8.02. Proof of Execution of Instruments and of Holding of Trust Certificates. Proof of the execution of any instrument by a holder of Trust Certificates or his agent or proxy and proof of the holding by any person of any of the Trust Certificates shall be sufficient if

made in the following manner:

The fact and date of the execution by any such person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction within the United States of America authorized to take acknowledgments of deeds to be recorded in such jurisdiction that the person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute proof of the authority of the person executing the same.

The ownership of Trust Certificates may be proved by the register of such Trust Certificates or by a certificate of the registrar thereof. The Trustee shall act as registrar of the Trust Certificates.

SECTION 8.03. Trust Certificates Owned by ITEL.
In determining whether the holders of the requisite unpaid principal amount of the Trust Certificates have concurred in any direction, request or consent under this Agreement, Trust Certificates which are owned by ITEL or by any other obligor on the Trust Certificates or by an Affiliate of ITEL or any such other obligor shall be disregarded, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, request or consent, only Trust Certificates which are actually known to the Trustee at its Corporate Trust Office to be so owned, shall be disregarded.

SECTION 8.04. Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the holders of the percentage in aggregate unpaid principal amount of the Trust Certificates specified in this Agreement in connection with such action, any holder of a Trust Certificate the serial number of which is shown by the evidence to be included in the Trust Certificates the holders of which have consented to such action may, by filing written notice with the Trustee and upon proof of holding as provided in Section 8.02, revoke such action insofar as concerns such Trust Certificate. Except as aforesaid, any such action taken by the holder of any Trust

Certificate shall be conclusive and binding upon such holder and upon all future holders of such Trust Certificate and of any Trust Certificate issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Trust Certificate. Any action taken by the holders of the percentage in aggregate unpaid principal amount of the Trust Certificates specified in this Agreement in connection with such action shall be conclusive and binding upon ITTEL, the Trustee and the holders of all the Trust Certificates, subject to the provisions of Section 5.08.

ARTICLE NINE

The Trustee

SECTION 9.01. Acceptance of Trust. The Trustee hereby accepts the trust imposed upon it by this Agreement, and covenants and agrees to perform the same as herein expressed.

SECTION 9.02. Duties and Responsibilities of the Trustee. In case an Event of Default has occurred (which has not been cured), the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Trustee shall not be deemed to have knowledge of any Default or Event of Default under this Agreement prior to the time it shall have obtained actual knowledge thereof at its Corporate Trust Office.

No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its wilful misconduct, except that:

(a) prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions

of this Agreement, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates, Requests or opinions furnished to the Trustee and conforming to the requirements of this Agreement; but in the case of any such certificates, Requests or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement;

(b) the Trustee shall not be liable for any error of judgment made in good faith, unless it shall be negligent in ascertaining the pertinent facts; provided, however, that the foregoing provisions of this Section 9.02(b) shall not excuse the Trustee from liability for its action or inaction which was contrary to the express provisions of this Agreement;

(c) the Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in aggregate unpaid principal amount of the then outstanding Trust Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Agreement;

(d) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, Trust Certificate, guaranty or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(e) the Trustee may consult with counsel and any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such Opinion of Counsel;

(f) the Trustee shall not be under any obligation to exercise any of its rights or powers vested in it by this Agreement, at the request, order or direction of any of the holders of the Trust Certificates, pursuant to the provisions of this Agreement, unless such holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby; and

(g) the Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement. None of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 9.03. Application of Rentals; Other Duties. The Trustee covenants and agrees to apply the rentals received by it under Section 4.04(B) when and as the same shall be received, and to the extent that such rentals shall be sufficient therefor, for the purposes specified in Section 4.04(B), and to apply all other rentals or moneys received or held by it hereunder as provided herein.

The Trustee shall not be required to undertake any act or duty in the way of insuring, taking care of or taking possession of the Trust Equipment until fully indemnified by ITTEL or by one or more holders of the Trust Certificates against all liability and expenses; and

the Trustee shall not be responsible for the filing or recording or refiling or rerecording of this Agreement or of any supplement hereto or statement of new numbers or any assignments or any other statement or document that may be permitted or required to be filed, recorded, refiled or rerecorded in any jurisdiction to protect or perfect any of the security interests contemplated hereby.

SECTION 9.04. Funds May be Held by Trustee; Investments. Any money at any time paid to or held by the Trustee hereunder until paid out by the Trustee as herein provided may be carried by the Trustee on noninterest bearing deposit with itself.

At any time and from time to time, if at the time no Event of Default shall have occurred and be continuing, the Trustee, on Request, shall invest and reinvest Deposited Cash held by it, or cash deposited with it pursuant to Section 4.06, 4.08 or 5.01(b) (hereinafter in this Section called Replacement Funds), in Investments, at such prices, including any premium and accrued interest, as are set forth in such Request, such Investments to be held by the Trustee in trust for the benefit of the holders of the Trust Certificates. If an Event of Default shall have occurred and be continuing, the Trustee shall take any such action upon the request of the holders of a majority in aggregate unpaid principal amount of the outstanding Trust Certificates.

The Trustee shall, on Request, or the Trustee may, in the event funds are required for payment against acceptance of Trust Equipment or as provided in Section 5.01(b), sell such Investments, or any portion thereof, and restore to Deposited Cash or Replacement Funds, as the case may be, the proceeds of any such sale up to the amount paid for such Investments, including accrued interest.

The Trustee shall, to the extent received, restore to Deposited Cash or Replacement Funds, as the case may be, out of rent received by it for that purpose under the provisions of Section 4.04(B)(1)(b), an amount equal to any expenses incurred in connection with any purchase, sale or redemption of Investments and also an amount equal to any loss of principal incident to the sale or redemption of any Investments for a sum less the amount paid therefor, including accrued interest.

Until such time as, to the actual knowledge of the Trustee (obtained at its Corporate Trust Office), any Default shall have occurred, ITEL shall be entitled to receive any interest (in excess of accrued interest paid from Deposited Cash or Replacement Funds at the time of purchase) or other profit which may be realized from any sale or redemption of Investments.

SECTION 9.05. Trustee Not Liable for Delivery Delays or Defects in Equipment or Title; May Act Through Agents; Entitled to Compensation; May Hold Trust Certificates.

The Trustee shall not be liable to anyone for any delay in the delivery of any of the Trust Equipment, or for any default on the part of the manufacturers thereof or of ITEL, or for any defect in any of the Trust Equipment or in the title thereto, nor shall anything herein be construed as a representation or warranty, express or implied, on the part of the Trustee in respect thereof or in respect of the title, value, merchantability, compliance with manufacturing specifications, condition, safety, design, operation or fitness for any particular or general use of the Trust Equipment or in respect of the security afforded thereby or any other representation or warranty whatsoever, express or implied, in respect of the Trust Equipment.

The Trustee may perform its powers and duties hereunder by or through such attorney and agents as it shall appoint, and shall be answerable only for its own negligent acts, negligent failures to act and wilful misconduct and not for the default or misconduct of any attorney or agent appointed by it with reasonable care. The Trustee shall not be responsible in any way for, and makes no representation with respect to, the recitals herein contained or for the execution or validity or enforceability of this Agreement or of the Trust Certificates (except for its own execution thereof) or for the guaranty by ITEL.

The Trustee shall be entitled to receive payment of all of its expenses and disbursements hereunder, including reasonable counsel fees and expenses, and to receive reasonable compensation for all services rendered by it in the execution of the trust hereby created, all of which shall be paid by ITEL.

The Trustee in its individual capacity may own, hold and dispose of Trust Certificates.

Any moneys at any time held by the Trustee hereunder shall, until paid out or invested by the Trustee as herein provided, be held by it in trust as herein provided for the benefit of the holders of the Trust Certificates.

SECTION 9.06. Resignation and Removal; Appointment of Successor Trustee. (a) The Trustee may resign and be discharged of the trust created by this Agreement by giving at least 30 days' written notice to ITEL. Such resignation shall take effect upon receipt by the Trustee of an instrument of acceptance executed by a successor trustee as herein provided in this Section 9.06.

(b) The Trustee may be removed at any time by an instrument in writing signed by the holders of a majority in aggregate unpaid principal amount of the Trust Certificates then outstanding, delivered to the Trustee and to ITEL.

(c) If at any time the Trustee shall resign or be removed or otherwise become incapable of acting or, if at any time a vacancy shall occur in the office of the Trustee for any other cause, a successor trustee may be appointed by the holders of a majority in aggregate unpaid principal amount of the then outstanding Trust Certificates by an instrument in writing delivered to ITEL and the Trustee. Until a successor trustee shall be appointed by the holders of Trust Certificates as herein authorized, ITEL by an instrument in writing executed by order of its board of directors shall appoint a trustee to fill such vacancy. A successor trustee so appointed by ITEL shall immediately and without further act be superseded by a successor trustee appointed by the holders of Trust Certificates in the manner provided above. Every successor trustee appointed pursuant to this Section shall be a bank or trust company incorporated under the laws of the United States of America or the State of New York, having its principal office in the City of New York, and having a capital and surplus of not less than \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

(d) ITEL shall give notice to the holders of all outstanding Trust Certificates of each resignation or removal of the then Trustee and of each appointment of

a successor trustee pursuant to this Section by mailing written notice of such event by first class mail, postage prepaid.

SECTION 9.07. Acceptance of Appointment by Successor Trustee. Any successor trustee appointed as provided in Section 9.06 shall execute, acknowledge and deliver to ITEL and to its predecessor trustee an instrument accepting such appointment hereunder and, subject to the provisions of Section 9.06(a), thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the Request of ITEL or written request of the successor trustee, upon payment of its charges then unpaid, the trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon written request of any such successor trustee, ITEL shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 9.05.

SECTION 9.08. Merger or Consolidation of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party shall be the successor of the Trustee hereunder, provided such corporation shall be qualified under the provisions of Section 9.06, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 9.09. Return of Certain Moneys to ITEL. Notwithstanding any provision of this Agreement, any moneys paid to the Trustee which are applicable to the payment of the principal of, premium (if any) or the interest on, any Trust Certificates which remain unclaimed for three years after the day when such moneys were due and payable

shall then be repaid to ITEL upon Request, and the holders of such Trust Certificates shall thereafter be entitled to look only to ITEL for payment thereof and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that 60 days prior to the repayment of such moneys to ITEL as aforesaid, the Trustee shall notify, pursuant to Section 10.05, each holder of Trust Certificates with respect to which any payment is due, and publish a notice, in such form as may be deemed appropriate by the Trustee, in respect of the Trust Certificates so payable and not presented and in respect of the provisions hereof relating to the repayment to ITEL of the moneys held for the payment thereof.

ARTICLE TEN

Miscellaneous

SECTION 10.01. Rights Confined to Parties and Holders. Nothing expressed or implied herein is intended or shall be construed to confer upon or give to any person, firm or corporation, other than the parties hereto and the holders of the Trust Certificates, any right, remedy or claim under or by reason of this Agreement or of any term, covenant or condition hereof, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefits of the parties hereto and their successors and of the holders of the Trust Certificates.

SECTION 10.02. No Recourse. No recourse under any obligation, covenant or agreement of this Agreement or of the guaranty endorsed on any Trust Certificate shall be had against any incorporator, stockholder, officer or director, past, present or future, of ITEL, solely by reason of the fact that such person is an incorporator, stockholder, officer or director, whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, officers or directors, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

SECTION 10.03. Amendment or Waiver. Any provision of this Agreement may be amended or waived with the written consent of the holders of not less than 66-2/3% of the aggregate unpaid principal amount of the Trust Certificates then outstanding; provided, however, that without the consent of the holders of 100% of the aggregate unpaid principal amount of Trust Certificates then outstanding, no such amendment or waiver shall (1) change the amount of principal or premium, change the amount or dates of payment of instalments of principal or premium or the redemption prices set forth in this Agreement or change the rate or the time of payment of interest with respect to the Trust Certificates, (2) change the amount of or the time of payment of any rentals payable under this Agreement or release or provide for the release of any of the Trust Equipment or any other property or cash held by the Trustee in trust otherwise than as expressly permitted by the present terms of this Agreement, (3) modify any of the provisions of Section 6.01 or 6.02 or of any guaranty endorsed on any Trust Certificate, or (4) reduce the percent of the aggregate unpaid principal amount of Trust Certificates then outstanding, the holders of which are required to approve any amendment or to effect any waiver; and, provided, further, however, that no such amendment or waiver shall modify the rights, duties, or immunities of the Trustee without the prior written consent of the Trustee. Promptly after the execution by the Trustee of any document entered into pursuant to this Section 10.03, the Trustee shall send, in the manner provided in Section 10.05, a conformed copy thereof to each holder of any Trust Certificate, but the failure of the Trustee to send such conformed copies shall not impair or affect the validity of such document.

SECTION 10.04. Binding upon Assigns. Except as otherwise provided herein, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 10.05. Notice. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at or mailed by registered mail to (a) in the case of ITEL, ITEL Corporation, Rail Division, Two Embarcadero Center, San Francisco, California 94111, Attention of President, Rail Division, or such other address as may hereafter be furnished

to the Trustee in writing by ITEL, (b) in the case of the Trustee, at its Corporate Trust Office, with a copy to ITEL, or such other address as may hereafter be furnished to ITEL in writing by the Trustee and (c) in the case of any holder of the Trust Certificates, at such address as is provided in the Purchase Agreement or as otherwise furnished in writing to the Trustee. An affidavit by any person representing or acting on behalf of ITEL, the Trustee or any holder of any Trust Certificate as to such mailing, having the registry receipt attached, shall be conclusive evidence of the giving of such demand, notice or communication.

Whenever any notice, report, certificate, opinion or other document (a "Communication") shall be sent by the Trustee to ITEL or received by the Trustee from ITEL, the Trustee shall simultaneously send a copy thereof, in the manner provided above, to each holder of any Trust Certificate. Whenever ITEL shall send any Communication to, or receive any Communication from, the Trustee, ITEL shall simultaneously send a copy thereof, in the manner provided above, to each holder of any Trust Certificate.

SECTION 10.06. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 10.07. Date Executed. This Agreement shall be deemed to have been executed on the date of the acknowledgment thereof by the officer of the Trustee who signed it on behalf of the Trustee.

SECTION 10.08. Governing Law; Jurisdiction; Service of Process. This Agreement and each Trust Certificate and the guaranty endorsed on each Trust Certificate shall be deemed to be contracts made in the State of New York and for all purposes shall be construed in accordance with and governed by the laws of the State of New York; provided, however, that the parties hereto shall be entitled to all rights conferred by §11303 of Title 49 of the United States Code; and provided further, however, that any remedies herein provided which shall be valid under the laws of the jurisdiction where proceedings for the enforcement of this Agreement shall be taken shall not be affected by any invalidity of this Agreement under the laws of the State of New York.

ITEL irrevocably agrees that (i) any legal action or proceeding against it with respect to this Agreement, the Purchase Agreement, the Trust Certificates, the guaranties endorsed on the Trust Certificates, the Leases or the Lease Assignments may be brought non-exclusively in the courts of the State of New York, and/or in the United States courts for the Southern District of New York, as the Trustee or any holder of Trust Certificates bringing such action or proceeding may elect. By execution and delivery of this Agreement, ITEL accepts with regard to any such action or proceeding, for itself and in respect of its property and assets, generally and unconditionally the jurisdiction of the aforesaid courts. ITEL hereby irrevocably designates the office of CT Corporation located at 277 Park Avenue, New York, New York 10017 as the designee, appointee and agent of ITEL to receive for and on behalf of ITEL service of process in any such legal action or proceeding; if CT Corporation shall cease to maintain said office, then ITEL shall name another office in New York City, acceptable to the Trustee, as its said designee, appointee or agent and, failing such appointment, the Corporate Trust Office of the Trustee shall be deemed so appointed. ITEL further irrevocably consents and agrees to the service of process in any such action or proceeding by mailing copies thereof by registered or certified mail, postage prepaid, to ITEL at its address specified in Section 10.05 and hereby waives any objection to service of process in such manner. Nothing herein shall affect the right of the Trustee or any holder of Trust Certificates to bring any legal action or proceeding in any other competent jurisdiction or to effect service of process in any other manner permitted by law.

* * *

IN WITNESS WHEREOF, ITEL and the Trustee
have caused their names to be signed hereto by their

respective officers thereunto duly authorized and their respective seals, duly attested, to be hereunto affixed as of the day and year first above written.

ITEL CORPORATION

[Corporate Seal]

By: Edward P. Schneider
Vice President-Treasurer,
Rail Division

Attest:

E. C. Hill

BANKERS TRUST COMPANY,
as Trustee

[Corporate Seal]

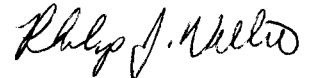
By: Wm. H. Barker
Assistant Vice President

Attest:

R. L. Hall
Assistant Secretary

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On the 20 day of December, 1978, before me personally came Edward P. Schneider, to me known, who, being by me duly sworn, did depose and say that he resides at 1071A Valley, San Francisco CA 94133; that he is Vice President-Treasurer, Rail Division, of ITEL CORPORATION, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.



PHILIP J. VELTRI
Notary Public, State of New York
No. 41-1678120
Qualified in Queens County
Certificate Filed in New York County
Commission Expires March 30, 1980

STATE OF NEW YORK)

) SS:

COUNTY OF NEW YORK)

On the 20th day of December, 1978, before me personally came D.M. IACCHERI, to me known, who, being by me duly sworn, did depose and say that he resides at 11 LEONAVE RD #1, STANHOPE, NJ 07874; that he is an Assistant Vice President of BANKERS TRUST COMPANY, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Philip J. Veltre
PHILIP J. VELTRE
 Notary Public, State of New York
 No. 41-4678180
 Qualified in Queens County
 Certificate Filed in New York County
 Commission Expires March 30, 1988

SCHEDULE A

<u>Lessee</u>	<u>Units of Trust Equipment</u>	<u>Road Numbers</u>	<u>Trust Equipment Description</u>
Greenville & Northern Railway Company	50	GRN 8050-8099 (both inclusive)	70-ton, 50'6" single sheath boxcars, nailable steel floor, sliding ten foot door, cushioned underframe, AAR mechanical designation XM
Atlanta & Saint Andrews Bay Railway Company	102	ASAB 8100-8201 (both inclusive)	100-ton, 60'10" single sheath general purpose boxcars, with end of car cushioning and nailable steel floors, AAR mechanical designation XM
Arkansas & Louisiana Missouri Railway Company	100	ALM 1150-1249 (both inclusive)	100-ton, 60'11" single sheath general purpose boxcars, end of car cushioning, nailable steel floor, AAR mechanical designation XM
Marinette, Tomahawk & Western Railroad Company	200	MTW 4400-4599 (both inclusive)	70-ton, 50'6" single sheath boxcars, AAR mechanical designa- tion XM
North Louisiana & Gulf Railroad Company	150	NLG 5401-5550 (both inclusive)	70-ton, 50'6" single sheath boxcars, nailable steel floor, sliding ten foot door, AAR mechanical designation XM

SCHEDULE B

[Form of Trust Certificate]

This Trust Certificate has not been registered under the Securities Act of 1933.

\$

No.

ITEL CORPORATION

10-3/8% 15 Year Rail Equipment Trust Certificates,
1978 Series 4

Total Authorized Issue: \$19,444,444.46

Bankers Trust Company, Trustee

Bankers Trust Company, not in its individual capacity but solely as Trustee (hereinafter called the Trustee), under an Equipment Trust Agreement (hereinafter called the Agreement) dated as of December 1, 1978, between the Trustee and ITEL Corporation, a Delaware corporation (hereinafter called ITEL), certifies that

or registered assigns
is entitled to an interest of

Dollars in ITEL Corporation, Rail Equipment Trust, 1978 Series 4, due and payable on December 31, 1993, and to interest on the amount of unpaid principal from the date hereof until the principal amount represented by this Certificate shall have become due and payable, which interest is payable on March 31, June 30, September 30 and December 31 in each year after the date hereof, commencing March 31, 1979, at the rate of 10-3/8% per annum, with interest on any overdue principal, premium (if any) and interest, to the extent legally enforceable, at the rate of 11-3/8% per annum from the date any such amount became overdue. Interest on this Trust Certificate shall be calculated on the basis of a 360-day year of twelve 30-day months.

The Trust Certificates will be redeemed in part, without premium upon at least 30 days' prior notice given as provided in the Agreement, through the operation of a manda-

tory sinking fund, on December 31 in each year, commencing December 31, 1984, and continuing to and including December 31, 1992, in an aggregate principal amount equal to 10% of the aggregate principal amount of the Trust Certificates issued pursuant to Section 2.01 of the Agreement less any credit provided for in Section 4.08 of the Agreement (the "Mandatory Sinking Fund Payment"). In addition, at the option of ITEL, any such sinking fund payment may be increased by an amount up to the amount of the Mandatory Sinking Fund Payment. The Trust Certificates are also subject to redemption, under certain circumstances with premium and under certain circumstances without premium, as provided in Sections 2.02, 4.06, 4.08, 4.09 and 7.09 of the Agreement, including, in whole or in part, at the option of ITEL under the conditions and at the optional redemption prices set forth in Section 2.02 of the Agreement.

Payments of principal, premium (if any) and interest shall be made by the Trustee to the registered holder hereof at the Corporate Trust Office of the Trustee at One Bankers Trust Plaza, New York, New York 10006 (hereinafter called the Corporate Trust Office), in such coin or currency of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts. Each of such payments shall be made only from and out of rentals or other moneys received by the Trustee and applicable to such payment under the provisions of the Agreement.

This Certificate is one of an authorized issue of Trust Certificates, in an aggregate principal amount not exceeding \$19,444,444.46, issued or to be issued under the Agreement, under which certain railroad equipment leased to ITEL (or cash or obligations defined in the Agreement as "Investments" in lieu thereof, as provided in the Agreement) is held by the Trustee in trust for the equal and ratable benefit of the holders of the outstanding Trust Certificates issued thereunder. Reference is made to the Agreement (a copy of which is on file with the Trustee as its said office) for a more complete statement of the terms and provisions thereof, including the rights, obligations and limitations of liabilities of the parties thereto, to all of which the registered holder hereof, by accepting this Certificate, assents.

The transfer of this Certificate in whole or in part is registerable by the registered holder hereof in person or by duly authorized attorney on the books of the Trustee upon

surrender to the Trustee at the Corporate Trust Office of this Certificate accompanied by a written instrument of transfer, duly executed by the registered holder in person or by such attorney, in form satisfactory to the Trustee, and thereupon a new Trust Certificate or Certificates for the then unpaid aggregate principal amount hereof will be issued to the transferee in exchange herefor and, if less than the then entire unpaid principal amount hereof is transferred, a Trust Certificate in the remaining principal amount will be issued to the transferor. Prior to due presentment for registration of transfer, the Trustee and ITEL may deem and treat the person in whose name this Certificate is registered as the absolute owner hereof for the purpose of receiving payment of principal, premium (if any) and interest and for all other purposes and shall not be affected by any notice to the contrary.

In case of the happening of an Event of Default (as defined in the Agreement) the entire unpaid principal amount represented by this Certificate (and interest accrued thereon) may become or be declared due and payable in the manner and with the effect provided in the Agreement.

As provided in the Agreement, this Trust Certificate and the guaranty endorsed hereon shall be construed in accordance with and governed by the laws of the State of New York.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be signed by one of its Authorized Officers, by his signature or a facsimile thereof, and its seal or a facsimile thereof to be hereunto affixed or hereon imprinted and to be attested by one of its Authorized Officers by his signature.

Dated as of

BANKERS TRUST COMPANY,
Trustee

By: _____
Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

GUARANTY

Itel Corporation, a Delaware corporation, for a valuable consideration, hereby unconditionally guarantees to the holder of the Trust Certificate upon which this guaranty is endorsed the due and punctual payment of the principal of, premium (if any) and interest on said Trust Certificate, when and as the same shall become due and payable, whether at maturity, upon acceleration or otherwise, including interest on any overdue principal, premium (if any) or interest, to the extent legally enforceable, at the rate of 11-3/8% per annum, and the due and punctual payment of all other amounts payable to the holder of said Trust Certificate pursuant to the terms of the Equipment Trust Agreement referred to therein. The holder of said Trust Certificate is entitled to the benefits of the undertakings of ITEL contained in said Agreement.

ITEL CORPORATION

By: _____

FOR VALUE RECEIVED, the undersigned hereby sells,
assigns and transfers unto

[Please insert Social Security
or other identifying number
of Assignee]

.

.....

the within ITEL Corporation 10-3/8% 15 Year Rail Equipment
Trust Certificate, 1978 Series 4, and does hereby irrevocably
constitute and appoint

.....

attorney to transfer the said Certificate on the books of the
within named Trustee, with full power of substitution in the
premises.

Dated



RECORDATION NO. 9102 Filed & Recorded

NOV 25 1977-1 12 PM

INTERSTATE COMMERCE COMMISSION

KZ

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 6th day of ~~XXXX~~ August, 1976, between SSI RAIL CORP., a Delaware corporation, Two Embarcadero Center, San Francisco, California 94111 ("SSI"), as Lessor, and Greenville & Northern Railway Company, a South Carolina corporation ("Lessee"), as Lessee.

1. Scope of Agreement

A. SSI agrees to lease to Lessee, and Lessee agrees to lease from SSI, boxcars and/or other railroad equipment of the types and descriptions as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto whether for boxcars or other railroad equipment, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Boxcars."

B. It is the intent of the parties to this Agreement that SSI shall at all times be and remain the lessor of all Boxcars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Boxcars as provided herein. The term of lease with respect to all of the Boxcars described on each Schedule shall be for fifteen (15) years commencing upon the date when all Boxcars on such Schedule have been delivered as set forth in Section 3A hereof. *average*

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each with respect to all of the Boxcars described on each Schedule, provided, however, that SSI or Lessee may terminate this Agreement as to all, but not fewer than all, of the Boxcars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial lease term or any extended lease term.

3. Supply Provisions

A. SSI will inspect each of the Boxcars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to SSI that the sample Boxcar which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and SSI's determination that the Boxcar conforms to the specifications ordered by SSI and to all applicable governmental regulatory specifications, and this Agreement has not been terminated,

SSI will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Boxcars shall be deemed delivered to Lessee upon acceptance by SSI. The Boxcars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by SSI as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, SSI can neither control nor determine when the Boxcars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Boxcars leased hereunder, Lessee agrees to pay to SSI the rent set forth in this Agreement. To move the Boxcars to Lessee's railroad line and insure optimal use of the Boxcars after the first loading of freight for each Boxcar on the railroad line of Lessee (the "initial loading"), SSI agrees to assist Lessee in monitoring Boxcar movements and, when deemed necessary by Lessee and SSI, to issue movement orders with respect to such Boxcars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee agrees that so long as it shall have on lease any Boxcars, it shall not lease boxcars from any other party until it shall have received all of the Boxcars on the Schedule or Schedules. Once Boxcars have been delivered to Lessee, it shall then not lease boxcars from any other party until it shall have given SSI at least three (3) months' prior written notice of its desire to lease boxcars similar to the type on lease and SSI shall then have the opportunity to procure and lease such boxcars to Lessee subject to the terms and conditions of this Agreement and manufacturers' delivery schedules and at terms not less favorable to Lessee than those offered by such other parties. The foregoing, however, shall not be deemed to prohibit Lessee from leasing from other parties if SSI does not offer lease terms equal to or better than those offered by such other parties. Lessee shall give preference to SSI and shall load the Boxcars leased from SSI prior to loading boxcars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Boxcars may be leased from SSI by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Boxcars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by SSI and Lessee. Notwithstanding the execution of any Schedules, the delivery of Boxcars to Lessee shall be subject to manufacturer's delivery schedules, financing satisfactory to SSI and the mutual acknowledgment of the parties that the addition of such Boxcars is not likely to reduce utilization of all Boxcars on lease to Lessee to less than 87.5 per cent in any calendar quarter.

4. Railroad Markings and Record Keeping

A. SSI and Lessee agree that on or before delivery of any Boxcars to Lessee, said Boxcars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, SSI shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Boxcars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Boxcar leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. SSI shall, on behalf

of Lessee, perform all record keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Boxcars shall be addressed to Lessee at such address as SSI shall select.

D. All record keeping performed by SSI hereunder and all record of payments, charges and correspondence related to the Boxcars shall be separately recorded and maintained by SSI in a form suitable for reasonable inspection by Lessee from time to time during regular SSI business hours. Lessee shall supply SSI with such reports, including ~~telephone reports~~ of the number of Boxcars on Lessee's tracks, regarding the use of the Boxcars by Lessee on its railroad line as SSI may reasonably request. ~~responses to daily telephone solicitations from SSI regarding~~

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, SSI will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Boxcars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee while such Boxcar is in the physical possession of Lessee. Lessee shall inspect all Boxcars interchanged to it to insure that such Boxcars are in good working order and condition and shall be liable to SSI for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to SSI for and during the lease term of each Boxcar all of its right, title and interest in any warranty in respect to the Boxcars. All claims or actions on any warranty so assigned shall be made and prosecuted by SSI at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to SSI.

B. Except as provided above, SSI shall make or cause to be made such inspections of, and maintenance and repairs to, the Boxcars as may be required. Upon request of SSI, Lessee shall perform any necessary maintenance and repairs to Boxcars on Lessee's railroad tracks as may be reasonably requested by SSI. SSI shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Boxcars in good operating condition throughout the term of the lease of such Boxcars. Lessee may make running repairs to facilitate continued immediate use of a Boxcar, but shall not otherwise make any repairs, alterations, improvements or additions to the Boxcars without SSI's prior written consent. If Lessee makes an alteration, improvement or addition to any Boxcar without SSI's prior written consent, Lessee shall be liable to SSI for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with SSI.

C. Lessee will at all times while this Agreement is in effect be responsible for the Boxcars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules—Freight for cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Boxcars while on Lessee's railroad tracks by either obtaining insurance or maintaining a self insurance program which conforms to sound actuarial principles. If Lessee elects to carry insurance, it shall furnish SSI concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with a certificate of insurance with respect to the insurance carried on the Boxcars signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee and SSI (or its assignee) as their interests may appear.

D. SSI agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Boxcar and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Boxcar to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income

imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues. SSI shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. SSI and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Boxcars. SSI shall review all applicable tax returns prior to filing.

8. Lease Rental

A. Lessee agrees to pay the following rent to SSI for the use of the Boxcars:

(i) SSI shall receive all payments made to Lessee by other railroad companies for their use or handling of the Boxcars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "payments") if the utilization of all of the Boxcars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 90 per cent. For the purpose of this Agreement, utilization of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Boxcars, commencing from the initial loading, and the denominator of which is the aggregate number of days in each year that the Boxcars are on lease to Lessee, commencing from the initial loading (such term referred to as "utilization"). In addition, SSI will receive, as additional rental, all monies earned by the Boxcars prior to their initial loading. **

(ii) In the event utilization exceeds 90 per cent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the payments earned in excess of the SSI Base Rental. For the purpose hereof, SSI Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 90 percent and the denominator of which is the utilization for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if utilization is greater than 90 per cent in any calendar year, receive one-half of all the payments made by other railroads for use or handling of the Boxcars in excess of the SSI Base Rental.)

(iii) The rental charges payable to SSI by Lessee shall be paid from the payments received by Lessee in the following order until SSI receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other.

(iv) In the event damage or destruction of a Boxcar has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules—Freight and the appropriate amount due as a result thereof is received by SSI, said damaged or destroyed Boxcar will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. The calculations required above shall be made within three months after the end of each calendar year. However, to enable SSI to meet its financial commitments, SSI may, prior to such calculations, retain 93 per cent of the payments received by it on behalf of Lessee. However, since the parties desire to determine on a quarterly basis the approximate amount of the rental charges due SSI, SSI shall within three months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis the amount due it pursuant to this section. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that following the yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party.

C. In the event utilization in any calendar quarter is less than 87.5 per cent, SSI may, at its option and upon not less than 30 days prior written notice to Lessee, terminate this Agreement as to such Boxcars as SSI shall determine.

** Any Boxcar not on Lessee's tracks and not earning car hire for more than 36 consecutive days as a result of repairs or maintenance shall be removed from the utilization calculation effective the day car hire ceases and shall be returned to the calculation effective the day the Boxcar becomes available to earn car hire.

D. SSI may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive car hire for Boxcars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both SSI and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee spend funds not earned by the Boxcars in order for Lessee to continue to meet its obligations set forth in this section.

E. Subsequent to the initial loading, if any Boxcar remains on Lessee's railroad tracks for more than seven consecutive days, SSI may, at its option and upon not less than 24 hours prior written notice, terminate this Agreement as to such Boxcar and withdraw such Boxcar from Lessee's railroad tracks. If any such Boxcar remains on Lessee's railroad tracks more than seven consecutive days because Lessee has not given preference to the Boxcars as specified in Section 3B, Lessee shall be liable for and remit to SSI an amount equal to the car hire revenues Lessee would have earned if such Boxcars were in the physical possession and use of another railroad for the entire period.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Agreement and in the manner and to the extent Boxcars are customarily used in the railroad freight business. However, Lessee's rights shall be subject to the rights of any owner or secured party under any financing agreement entered into by SSI in connection with the acquisition of Boxcars, i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Boxcars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Boxcars, the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either SSI or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Boxcars or any interest therein or in this Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within 30 days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within ten days thereafter.

(iii) Any act of insolvency by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency, which subjection impairs Lessee's capability to fulfill its commitments under this Agreement.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, SSI, ^{or Lessee} may, at its option, terminate this Agreement and may

(i) Proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages for a breach thereof ~~(and Lessee agrees to bear SSI's costs and expenses, including reasonable attorneys' fees, in securing such enforcement)~~, or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Boxcars, whereupon all right and interest of Lessee in the Boxcars shall terminate; and thereupon SSI may enter upon any premises where the Boxcars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. SSI shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

At the expiration or termination of this Agreement as to any Boxcars, Lessee will surrender possession of such Boxcars to SSI by delivering the same to SSI. A Boxcar shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Boxcar and the placing thereon of such markings as may be designated by SSI, either, at the option of SSI, (1) by Lessee upon return of such Boxcars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Boxcar at the time of or subsequent to termination of the lease term as to such Boxcar. If such Boxcars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing, and transporting such Boxcars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by SSI. If such Boxcars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Boxcars and place thereon such markings as may be designated by SSI. After the removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to thirty (30) days free storage on its railroad tracks for SSI or the subsequent lessee of any terminated Boxcar. If any Boxcar is terminated pursuant to subsections 6C or 6E or section 8 prior to the end of its lease term, Lessee shall be liable to SSI for all costs and expenses incurred by SSI to repaint the Boxcars and place thereon the markings and name or other insignia of SSI's subsequent lessee.

10. Indemnities

SSI will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Boxcars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Boxcars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Boxcars other than loss or physical damage (unless occurring through the fault of Lessee), including without limitation the construction, pur-

chase and delivery of the Boxcars to Lessee's railroad line, ownership, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by SSI or Lessee).

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Boxcars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.


(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to SSI in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

(v) Lessee has during the years 1964-1968 neither leased nor purchased any boxcars.

12. Inspection

SSI shall at any time during normal business hours have the right to enter the premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify SSI of any accident connected with the malfunctioning or operation of the Boxcars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify SSI in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Boxcar. Lessee shall furnish to SSI promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.


/ Lessee's
knowledge
of

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of SSI assign this Agreement or any of its rights hereunder or sublease the Boxcars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Boxcars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Boxcars except as a lessee only.

D. No failure or delay by SSI shall constitute a waiver or otherwise affect or impair any right, power or remedy available to SSI nor shall any waiver or indulgence by SSI or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SSI RAIL CORP.

BY: 

TITLE: PRESIDENT

DATE: AUG 13, 1976

GREENVILLE & NORTHERN RY

BY: 

TITLE: VICE PRESIDENT-TRAFFIC

DATE: AUGUST 6, 1976

Amendment dated as of March 1, 1978 between Itel Corporation, Rail Division, successor in interest to SSI Rail Corp. ("SSI"), and the Greenville & Northern Railway Company, a South Carolina corporation ("Lessee").

RECORDATION NO. 9102-B Filed 1428

OCT 17 1978 - 3 22 PM

WITNESSETH:

INTERSTATE COMMERCE COMMISSION

WHEREAS, SSI and Lessee are parties to a lease dated as of August 6, 1976 ("the Agreement") pursuant to which SSI has delivered 50 boxcars ("the Boxcars"):

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree to amend the Lease as follows:

1. All terms defined in the Agreement shall have the defined meanings when used in this Amendment.

2. This Amendment shall be effective as of March 1, 1978 and shall apply only to Payments earned subsequent to February 28, 1978.

3. For the purposes of determining the rent for the Boxcars bearing the identifying numbers GRN 8050-GRN 8149 set forth in Equipment Schedule No. 3 to the Agreement, the number "87.5 per cent" shall be substituted in Section 6 A(i) for the number "90 per cent" each time it appears.

4. For the Boxcars bearing the identifying numbers GRN 8050-8149 Section 6A(ii) is hereby amended by deleting such section in its entirety and substituting, in lieu thereof, the following:

"6 A(ii) In the event utilization exceeds 87.5 per cent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the payments earned in excess of the SSI Base Rental, provided, however, that the amounts received by SSI shall, in no event exceed the amounts SSI would earn if the utilization were 90 per cent. For the purpose hereof, SSI Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 87.5 per cent and the denominator of which is the

utilization for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if utilization is greater than 87.5 per cent in any calendar year receive one-half of all the payments made by other railroads for use or handling of the Boxcars in excess of the SSI Base Rental up to a utilization of 90 per cent and all the payments made by other railroads for use of handling of the Boxcars for utilization greater than 90 per cent.)"

5. The following shall be added to Section 3A:

"'Initial loading' shall mean the first loading of freight on the railroad line of Lessee, provided, however, if the initial loading has not occurred within 90 days of the date such Boxcars have been delivered to Itel at the manufacturer's facility, initial loading shall be deemed effective on the 91st day following such delivery to Itel."

6. Except as expressly modified by the Amendment, all the terms and provisions of the Lease shall remain in full force and effect.

7. This Amendment may be executed by the parties hereto in any number of counterparts, and all said counterparts taken together shall be deemed to constitute one and the same investment.

ITEL CORPORATION, RAIL DIVISION

By: [Signature]

TITLE: Vice President

DATE: 5/12/78

GREENVILLE & NORTHERN
RAILWAY COMPANY

By: [Signature]

TITLE: President

DATE: 3/23/78

EQUIPMENT SCHEDULE No.....3.....

Itel Corporation, Rail Division hereby leases the following Cars to ..Greenville & Northern
 Railway Company.. subject to the terms and conditions of that certain Lease Agreement dated
 as of ...March 20....., 1978

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	50' Plate C Boxcar, nailable steel floor, sliding ten foot door, cushioned underframe.	GRN 8050- GRN 8149	50'6"	9'6"	11'2"	10'	100

RECORDATION NO. 9102-C Filed 1425

OCT 17 1978 8 22 PM
 INTERSTATE COMMERCE COMMISSION

ITEL CORPORATION, RAIL DIVISION

BY:

Robert J. [Signature]

TITLE:

Vice President - Finance

DATE:

5/12/78

GREENVILLE & NORTHERN RAILWAY COMPANY

BY:

W P Silver

TITLE:

President

DATE:

3/23/78

STATE OF Massachusetts
COUNTY OF Suffolk

On this 21 day of March, 1971, before me personally appeared W. G. Silver, to me personally known, who being by me duly sworn says that such person is President of Quincy & North River R.R., that the foregoing Lease Agreement and Equipment Schedule No. was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

W. L. Frost
Notary Public

WILLIAM L. FROST
NOTARY PUBLIC
My commission expires May 14, 1977

STATE OF California
COUNTY OF San Francisco

On this 17 day of May, 1971, before me personally appeared Donald J. Lippert, to me personally known, who being by me duly sworn says that such person is Vice President of Itel Corporation, Rail Division, that the foregoing Lease Agreement and Equipment Schedule No. was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Terry L. Russell
Notary Public

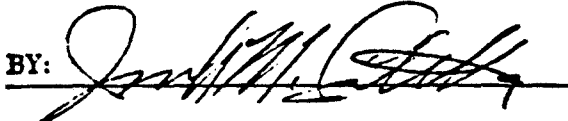


Rider No.1.... to the Lease Agreement made as of August 6...., 1976, between ITEL Corporation, Rail Division and Greenville & Northern Railway Company

A New Section 1C is added as follows:

"ITel Rail and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers GRN 8050-8149..... set forth on Equipment Schedule No. ...3..... to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and ITEL Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars."

ITEL CORPORATION, RAIL DIVISION

BY: 

TITLE: President

DATE: June 15, 1978

GREENVILLE & NORTHERN RAILWAY COMPANY

BY: _____

TITLE: President

DATE: July 5, 1978

STATE OF.....

COUNTY OF

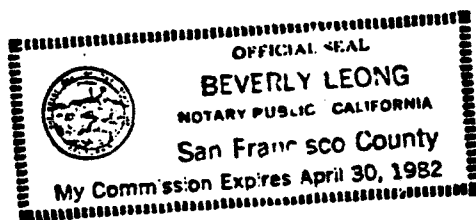
On this day of, before me personally appeared....., to me personally known, who being by me duly sworn says that such person is of, that the foregoing Rider No..... was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

STATE OF.....

COUNTY OF

On this 16th day of October, 1978, before me personally appeared Joseph M. Cully to me personally known, who being by me duly sworn says that such person is President of IteI Corporation, Rail Division, that the foregoing Rider No..... was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.



Notary Public

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Schedule C (c)

9703

RECORDATION NO. 9703 Filed & Recorded

SEP 22 1978 -2 15 PM

INTERSTATE COMMERCE COMMISSION

**ITEL
CORPORATION
RAIL DIVISION**

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 5th. day of May....., 1978., between ITEL CORPORATION, RAIL DIVISION, a Delaware corporation, Two Embarcadero Center, San Francisco, California 94111 ("Itel Rail"), as Lessor, and Atlanta & Saint Andrews Bay Railway Company..... an Alabama..... corporation ("Lessee"), as Lessee.

1. Scope of Agreement

A. Itel Rail agrees to lease to Lessee, and Lessee agrees to lease from Itel Rail, freight cars as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Cars."

B. It is the intent of the parties to this Agreement that Itel Rail shall at all times be and remain the lessor of all Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on each Schedule shall be for fifteen (15) years (the "Initial Lease Term") commencing upon the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "Extended Lease Term") with respect to all of the Cars described on each Schedule, provided, however, that Itel Rail or Lessee may terminate this Agreement on or after the Initial Lease Term as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than (90) days prior to the end of the Initial Lease Term or any Extended Lease Term.

C. If Lessee decides to go out of the freight business, Lessee may terminate the Lease at any time on giving six (6) months prior written notice to Itel Rail.

3. Supply Provisions

A. Itel Rail will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to Itel Rail that the sample Car which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and Itel Rail's determination that the Car conforms to the specifications ordered by Itel Rail and to all applicable governmental regulatory specifications, and provided this Agreement has not been terminated, Itel Rail will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Cars shall be deemed delivered to Lessee upon acceptance by Itel Rail. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by Itel Rail as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, Itel Rail can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to Itel Rail the rent set forth in this Agreement. To move the Cars to

Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "Initial Loading"), Itel Rail agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and Itel Rail, to issue movement orders with respect to such Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee agrees that so long as it shall have on lease any Cars, it shall not lease freight cars from any other party until it shall have received all of the Cars on the Schedule or Schedules.

Lessee shall give preference to Itel Rail and shall load the Cars leased from Itel Rail prior to loading substantially similar freight cars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Cars shall be leased from Itel Rail by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Cars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by Itel Rail and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Cars, the delivery of any Car to Lessee shall be subject to manufacturers' delivery schedules, financing satisfactory to Itel Rail and the mutual acknowledgment of the parties that the addition of such Cars is not likely to reduce Utilization (as defined in Section 6) of all Cars on lease to Lessee to less than 87.5 per cent in any calendar quarter. If, due to the factors listed in the preceding sentence, fewer than all of the Cars listed on a Schedule shall be delivered to Lessee, the lease term shall be deemed to have commenced on the date the final Car of the most recent group of Cars was delivered to Lessee.

4. Railroad Markings and Record Keeping

A. Itel Rail and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, Itel Rail shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following:

(ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. Itel Rail shall, if requested by Lessee, on behalf of Lessee, perform all record keeping functions related to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as Itel Rail and Lessee shall select.

D. All record keeping performed by Itel Rail or Lessee hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Itel Rail or Lessee in a form suitable for reasonable inspection by the other party from time to time during regular Lessee or Itel Rail business hours. Lessee shall supply Itel Rail with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as Itel Rail may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, Itel Rail will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to Itel Rail for any repairs required for damage not noted at the time of interchange.

B. Except as provided above, Itel Rail shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of Itel Rail, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by Itel Rail. Itel Rail shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the lease term of such Cars. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars without Itel Rail's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without Itel Rail's prior written consent, Lessee shall be liable to Itel Rail for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with Itel Rail.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's Railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules--Freight for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by obtaining insurance. Lessee shall also maintain bodily injury and property damage liability insurance on cars while in Lessee's possession. Lessee shall furnish Itel Rail concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with certificates of insurance with respect to the insurance required as aforesaid signed by an independent insurance broker.

D. Itel Rail agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues. Itel Rail shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. Itel Rail and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. Itel Rail shall review all applicable tax returns prior to filing.

Initial 6. LEASE RENTAL

Art
JM A. Lessee agrees to pay the following rent to Itel Rail for the use of the Cars:

(i) Itel Rail shall receive all payments made to Lessee by other railroad companies for their use or handling of the Cars, including, but not limited to, mileage charges, straight car hire payments and incentive car hire payments except as provided in Section 6A(v), (all of which Payments made to Lessee are hereinafter collectively referred to as "Payments") if the Utilization of all of the cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 87.5 per cent. For the purpose of this Agreement, Utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Cars, commencing from the Initial Loading and the denominator of which is the aggregate number of days in each year that the Cars are on lease to Lessee, commencing from the Initial Loading (such term referred to as "Utilization"). In addition, Itel Rail will receive, as additional rental, all monies earned by the Cars prior to their Initial Loading.

(ii) In the event utilization exceeds 87.5 per cent in any calendar year, Itel Rail shall receive an amount equal to the Itel Rail Base Rental plus an amount equal to one-half of the payments earned in excess of the Itel Rail Base Rental, provided, however, that the amounts received by Itel Rail shall, in no event exceed the amounts Itel Rail would earn if the utilization were 90 per cent. For the purpose hereof, Itel Rail Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 87.5 per cent and the denominator of which is the utilization for such calendar year.

(iii) The rental charges payable to Itel Rail by Lessee shall be paid from the Payments received by Lessee in the following order until Itel Rail receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other.

(iv) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules - Freight and the appropriate amount due as a result thereof is received by Itel Rail, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

(v) In the event that incentive per diem is extended beyond the present Initial six (6) months application, Itel Rail shall receive an amount equal to one half of the Total Payments accruing as a result of the extension of the incentive per diem application period. Any monies accruing to the Lessee under this provision shall be considered payable to Lessee from straight car hire and mileage earnings. This provision shall become effective with the date of any extension of incentive per diem.

(vi) Any Boxcars out of service for repairs and/or maintenance and not earning car hire payments for 10 consecutive days will be removed from this lease on the 11th day for the purpose of computing car (or fleet) Utilization until such car or cars shall be reinstated or restored to per diem-earning service.

(vii) There is no fact which Lessee has not disclosed to Itel Rail in writing which materially adversely affects nor, so far as the Lessee can now reasonably foresee, will materially affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement. This provision cannot be construed to require Lessee's owner or affiliated companies to disclose proprietary business plans or information.

B. The calculations required above shall be made within three months after the end of each calendar year. However, since the parties desire that rental payments shall be made currently so that Itel Rail may meet its financial commitments, Lessee shall prepare drafts and deposit drafts or other payment forms covering car hire payments in the bank on or by the 25th of each month. Lessee shall then pay to Itel Rail by the 30th of each month 80 per cent of the total car hire payments including actual car mileage earnings when available and estimated earnings based on the current national average miles per day when actual is unavailable. At the time the month's first remittance is made, Lessee shall report for the same month, the dollar figure for 100 per cent of

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of the revenue earned. Ten per cent of the total car hire revenue shall be remitted to Itel Rail thirty (30) days or one month after the initial monthly payment and the remaining ten percent should be remitted to Itel Rail sixty (60) days or two months after the initial payment. Since the parties desire to adjust the amounts paid pursuant to the above more frequently than at the end of each calendar year, Lessee shall within three months after the end of each calendar quarter, calculate on a cumulative quarterly basis, the approximate amount of rental payment due Lessee. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculations, provided, however, that following each cumulative quarterly calculation, any amount paid to either party in excess of the amounts required by such quarterly calculations shall be promptly refunded to the appropriate party.

C. In the event the utilization rate in any calendar quarter is less than an amount equal to 87.5 percent, Itel Rail may, at its option and upon not less than 30 days prior written notice to Lessee, terminate this Agreement as to all Cars on an individual equipment schedule, provided, however, that termination shall be in the order in which cars were delivered to Lessee (older cars terminated first).

D. Itel Rail may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive car hire for cars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both Itel Rail and Lessee at

least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee spend funds not earned by the Cars in order for Lessee to continue to meet its obligations set forth in this section.

E. Subsequent to the Initial Loading, if any Car remains on Lessee's railroad tracks for more than seven consecutive days, Irel Rail may, at its option and upon not less than 24 hours prior written notice, terminate this Agreement as to such Car and withdraw such Car from Lessee's railroad tracks.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business, provided that Lessee retain on its railroad tracks no more Cars than are necessary to fulfill its immediate requirements to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by Irel Rail in connection with the acquisition of Cars, i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Cars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either Irel Rail or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within ten days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within ten days thereafter.

(iii) Any act of insolvency by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless

such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment..

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- (v) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency.
 - (vi) ^{ANY} ~~Any~~ action by Lessee to discontinue rail service on all or a portion of its ^{MAIN LINE} tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, Itel Rail may, at its option, terminate this Agreement (which termination shall not release Lessee from any obligation to pay to Itel Rail any and all rent or other sums that may then be due or accrued to such date or from the obligation to perform any duty or discharge and other liability occurring prior thereto) and may

(i) Proceed by any lawful means to enforce performance by Lessee of such obligations or to recover damages for a breach thereof (and Lessee agrees to bear Itel Rail's costs and expenses, including reasonable attorneys' fees, in securing such enforcement), or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon Itel Rail may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee.

C. Each of the following shall constitute an event of default by Itel Rail:

(i) A decree or order by a court having jurisdiction over Itel Rail shall have been entered and remain in force undischarged and unstayed for sixty (60) days:

(a) Adjudging Itel Rail a bankrupt or insolvent,

(b) Approving as properly filed a petition seeking reorganization of Itel Rail under the Bankruptcy Act of any other State or federal law,

(c) Directing the appointment of a receiver or liquidator or trustee in bankruptcy or insolvency of Itel Rail or of the property of Itel Rail, or

(d) Directing the winding up or liquidation of the affairs of Itel Rail;

(ii) Itel Rail Shall:

(a) Institute proceedings to be adjudged a voluntary bankrupt or insolvent,

(b) Consent to the filing of a bankruptcy or insolvency proceeding against it,

(c) File a petition or answer or consent seeking reorganization or readjustment under the Bankruptcy Act or any other state or federal law, or otherwise invoke any law for the aid of debtors, or consent to the filing of any such petition.

(d) Consent to the appointment of receiver or liquidator or trustee in bankruptcy or insolvency of the property or any substantial portion of its property,

(e) Make any assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or

(f) Take any corporate action in furtherance of any of the aforesaid purposes;

(iii) A petition against Itel Rail in a proceeding under bankruptcy laws or any other insolvency laws (as now or hereafter in effect) in any jurisdiction within the United States or elsewhere shall be filed and shall not be withdrawn or dismissed within sixty (60) days thereafter, or if, under the provisions of any law providing for reorganization or winding up of corporations which may apply to Itel Rail any court of competent jurisdiction shall assume jurisdiction, custody or control of Itel Rail or of any substantial part of the property of Itel Rail and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed, or unterminated for a term of sixty (60) days; or

(iv) Default by Itel Rail in the performance of its obligations hereunder for a period of ten (10) days after notice.

D. Upon the occurrence of any event of default by Itel Rail, Lessee may, at its option, terminate this Agreement.

9. Termination

Upon the termination of this Agreement as to any Cars, Lessee will surrender possession of such Cars to Itel Rail by delivering the same to Itel Rail. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Car and the placing thereon of such markings as may be designated by Itel Rail, either, at the option of Itel Rail, (1) by Lessee upon return of such Cars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car. If such Cars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by Itel Rail. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by Itel Rail. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver such Cars to a connecting carrier for shipment. Lessee shall provide up to ten (10) days free storage on its railroad tracks for Itel Rail or the subsequent lessee of any terminated Car. If any Car is terminated pursuant to subsections 6C or 6E or section 8 prior to the end of its lease term, Lessee shall be liable to Itel Rail for all costs and expenses incurred by Itel Rail to place thereon the markings and name or other insignia of Itel Rail's subsequent lessee.

10. INDEMNITIES

Itel Rail will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Cars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars (other than loss or physical damage to the Cars as provided in (1) above) unless occurring through the fault of Lessee, including without limitation the construction, purchase and delivery of the Cars to Lessee's railroad line, ownership, leasing or return of the Cars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by Itel Rail or Lessee).

(i) Relating to the Boxcars or any part thereof, including without limitation the construction, purchase, delivery, acceptance or rejection, installation, ownership, sale, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by Itel Rail or Lessee);

(ii) By reason or as a result of any act of Itel Rail for itself or as agent or attorney-in-fact for Lessee hereunder; Lessee will indemnify and hold harmless Itel from and against any and all damage as a result of any act of Lessee for itself or as agent or attorney-in-fact for Itel in the preparation and maintenance of records as defined in Section 4 above.

(iii) As a result of claims for patent infringement; or

(iv) As a result of claims for strict liability in tort.

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(ii) To its knowledge the entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee. This provision is not intended to cover pending or threatened actions or proceedings resulting from the February 26, 1978, train derailment near Youngstown, Florida.

(iv) There is no fact which Lessee has not disclosed to ITEL Rail in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement. This provision cannot be construed to require Lessee's owner or affiliated companies to disclose proprietary business plans or information.

(v) Lessee has not during the years 1964-1968 built, leased, purchased or nonequity leased new boxcars or rebuilt any boxcars.

12. Inspection

ITEL Rail shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify ITEL Rail of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify ITEL Rail in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee shall furnish to ITEL Rail promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of ITEL Rail assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of this Agreement and in furtherance of any financing agreement entered into by ITEL Rail in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

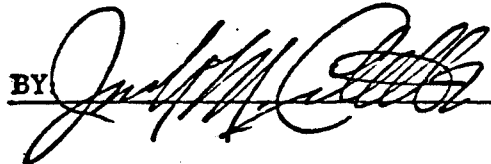
D. No failure or delay by Itel Rail shall constitute a waiver or otherwise affect or impair any right, power or remedy available to Itel Rail nor shall any waiver or indulgence by Itel Rail or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ITEL CORPORATION, RAIL DIVISION

BY: 

TITLE: president

DATE: June 2, 1978

ATLANTA & SAINT ANDREWS BAY
RAILWAY COMPANY

BY: 

TITLE: Chairman/President

DATE: 5/5/78

EQUIPMENT SCHEDULE No.3...

IteI Corporation, Rail Division hereby leases the following Cars to Atlanta & St. Andrews Bay Railway Company.. subject to the terms and conditions of that certain Lease Agreement dated as of ..May.5...., 1978.

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	50'general purpose boxcar, Plate C, with end of car cushioning and nailable steel floors. Not to exceed 5664 cu.ft. capacity	ASAB 7200- ASAB 7299	50'6"	9'6"	11'3"	10'	100
XM	60'general purpose boxcar, Plate C, with end of car cushioning and nailable steel floors. Not to exceed 6600 cu.ft. capacity	ASAB 8100- ASAB 8201	60'10"	9'6"	11'3"	10'	102

ITEI CORPORATION, RAIL DIVISION

BY:

Joseph M. Costello, Jr.

TITLE: President

DATE:

June 2, 1978

Atlanta & Saint Andrews Bay
Railway Company

BY:

Arthur Hooks

TITLE: Chairman/President

DATE:

5/5/78

Rider. No. 1 to the Lease Agreement made as of May 5, 1978, between Itel Corporation, Rail Division and ATLANTA & ST. ANDREWS BAY RAILWAY COMPANY.

A New Section 1C is added as follows:

"Itel Rail and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers ASAB 7200-7299, ASAB 8100-8201 set forth on Equipment Schedule No. 3 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and Itel Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars."

ITEL CORPORATION, RAIL DIVISION

BY: *John M. C. [Signature]*

TITLE: *President*

DATE: *June 2, 1978*

ATLANTA & ST. ANDREWS BAY
RAILWAY COMPANY

[Signature]
Chairman/President

5/5/78

Rider No. 2 to the Lease Agreement made as of May 5, 1978, between Itel Corporation, Rail Division and ATLANTA & ST. ANDREWS BAY RAILWAY COMPANY.

A New Section 2D is added as follows:

"Itel Rail and Lessee agree that, as between themselves, the cars bearing the identifying numbers ASAB 7000 - 7199 and ASAB 8000 - 8099 shall be subject to the terms as outlined in the above referenced agreement, terms to become effective May 1, 1978."

ITEL CORPORATION, RAIL DIVISION

BY: [Signature]

TITLE: President

DATE: June 2, 1978

ATLANTA & ST. ANDREWS BAY
RAILWAY COMPANY

[Signature]
Chairman/
President

5/5/78

STATE OF Florida.....
COUNTY OF Bay.....

On this 5th day of May, 1978, before me personally appeared A. V. Hooks, to me personally known, who being by me duly sworn says that such person is Pres. / Chairman of Atlanta & Saint Andrews Bay Ry. Co., that the foregoing Lease Agreement and Equipment Schedule No. Three..... was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Hermine M. Cowan
Notary Public

NOTARY PUBLIC STATE OF FLORIDA AT LARGE
MY COMMISSION EXPIRES JULY 12, 1978
BONDED THRU GENERAL INSURANCE UNDERWRITERS

STATE OF CALIFORNIA.....
COUNTY OF SAN FRANCISCO.....

On this 2ND day of JUNE, 1978, before me personally appeared Joseph H. Costello, Jr. to me personally known, who being by me duly sworn says that such person is PRESIDENT of Itel Corporation, Rail Division, that the foregoing Lease Agreement and Equipment Schedule No. 3..... was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Beverly Leong
Notary Public





Schedule C. (d)

9049

REGISTRATION NO. Filed & Recorded ..

OCT 21 1977 - 1 05 PM

LEASE AGREEMENT **INTERMEDIATE COMMERCE COMMISSION**

THIS LEASE AGREEMENT, made as of this 14th day of June, 1977, among Ite1 Corporation, a Delaware Corporation, One Embarcadero Center, San Francisco, California 94111 (Ite1), SSI RAIL CORP., a Delaware corporation, Two Embarcadero Center, San Francisco, California 94111 ("SSI"), as Lessor, and, Arkansas & Louisiana Missouri Railway Company, a Louisiana corporation, ("Lessee"), as Lessee.

1. Scope of Agreement

A. SSI agrees to lease to Lessee, and Lessee agrees to lease from SSI, freight cars as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Cars."

B. It is the intent of the parties to this Agreement that SSI shall at all times be and remain the lessor of all Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on each Schedule shall be for fifteen (15) years (the "initial lease term") commencing upon the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "extended lease term") with respect to all of the Cars described on each Schedule, provided, however, that SSI or Lessee may terminate this Agreement as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial lease term or any extended lease term.

3. Supply Provisions

A. SSI will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to SSI that the sample Car which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment as shown in the Schedule. Upon such approval by Lessee and SSI's determination that the Car conforms to the specifications ordered by SSI and to all applicable governmental regulatory and AAR specifications, and this Agreement has not been terminated, SSI will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Cars shall be deemed delivered to Lessee upon acceptance by SSI. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by SSI as is consistent with mutual convenience and economy. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to SSI the rent set forth in this Agreement. To move the Cars to Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "initial loading"), SSI agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and SSI, to issue movement orders with respect to Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee agrees that so long as it shall have on lease any Cars, it shall not lease freight cars from any other party until it shall have received all of the Cars on the Schedule or Schedules. Once Cars have been delivered to Lessee, it shall then not lease freight cars similar to the type leased hereunder from any other party until it shall have given SSI at least three (3) months' prior written notice of its desire to lease such freight cars and SSI shall then have the opportunity to procure and lease such freight cars to Lessee subject to the terms and conditions of this Agreement, manufacturers' delivery schedules and at terms not less favorable to Lessee than those offered by such other parties. The foregoing, however, shall not be deemed to prohibit Lessee from leasing from other parties if SSI does not offer lease terms equal to or better than those offered by such other parties. Lessee shall give preference to SSI and shall load the Cars leased from SSI prior to loading substantially similar freight cars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Cars may be leased from SSI by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Cars shall be identified in Schedules to this Agreement and shall benefit from Schedules by SSI and Lessee.

4. Railroad Markings and Record Keeping

A. SSI and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, SSI shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. SSI shall, on behalf of Lessee, perform all record keeping functions related to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as SSI shall select.

D. All record keeping performed by SSI hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by SSI in a form suitable for reasonable inspection by Lessee from time to time during regular SSI business hours. Lessee shall supply SSI with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as SSI may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, SSI will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but not limited to repairs, maintenance, inspection and servicing, unless the same was occasioned by the fault of Lessee while such Car is in the physical possession of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to SSI for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to SSI for and during the lease term of each Car all of its right, title and interest in any warranty in respect to the Cars. All claims or actions on any warranty so assigned shall be made and prosecuted by SSI at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to SSI, providing however, if Lessee sustains any damages as a result of any breach of warranty on said Cars, this assignment shall not be effective but SSI and Lessee shall have joint right, title and interest to said warranty.

B. Except as provided above, SSI shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required, including, but not limited to, requirements of any governmental or AAR regulations. Upon request of SSI, Lessee shall perform, for SSI's account, any necessary maintenance and repairs on Cars on Lessee's railroad tracks as may be reasonably requested by SSI and which Lessee has, in its opinion, the ability to perform. SSI shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alternations, improvements or additions to the Cars without SSI's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without SSI's prior written consent, Lessee shall be liable to SSI for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with SSI.

C. Lessee shall at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules—Freight for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by either obtaining insurance or maintaining a self insurance program which conforms to sound actuarial principles. Lessee shall also maintain bodily injury and property damage liability insurance and shall furnish SSI concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with a certificate of insurance with respect to such insurance signed by an independent insurance broker. All liability insurance shall be taken out in the name of Lessee and SSI (or its assignee) as their interests may appear.

D. SSI Agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee. SSI shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. SSI and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. SSI shall review all applicable tax returns prior to filing, it being understood that such review will be made in a prompt fashion in order to prevent late filings and charges.

E. SSI will, prior to initial loading of the Cars specified in the Schedule, cause, at SSI's expense, to be carried contingent liability insurance in amount and coverage satisfactory to Lessee. Such insurance shall be taken out in the name of SSI and Lessee as their interests may appear. The policies or certificates shall provide that there shall be no recourse against Lessee for the payment of premiums, and shall provide for at least ten (10) business days' prior written notice to be given to Lessee by the underwriters in the event of cancellation.

6. Lease Rental

A. Lessee agrees to pay the following rent to SSI for the use of the Cars:

(i) SSI shall receive all payments made to Lessee by other railroad companies for their use or handling of the Cars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "payments") if the utilization of all of the Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 90 per cent. For the purpose of this Agreement, utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Cars, commencing from the initial loading, and the denominator of which is the aggregate number of days in each calendar year that the Cars are on lease to Lessee, commencing from the initial loading (such term referred to as "utilization"). In addition, SSI will receive, as additional rental, all monies earned by the Cars prior to their initial loading.

(ii) In the event utilization exceeds 90 percent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the payments earned in excess of the SSI Base Rental. For the purpose hereof, SSI Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 90 percent and the denominator of which is the utilization, expressed as a percent, for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if utilization is greater than 90 percent in any calendar year, receive one-half of all the payments made by other railroads for use or handling of the Cars in excess of the SSI Base Rental.)

(iii) If SSI pays other railroads to move Cars in accordance with Section 3A, except for any payments incurred to deliver such Cars to Lessee's railroad line, Lessee shall reimburse SSI for such payments only from and out of the monies received by Lessee pursuant to subsection 6A(ii).

(iv) The rental charges payable to SSI by Lessee shall be paid from the payments received by Lessee in the following order until SSI receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other.

(v) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules—Freight and the appropriate amount due as a result thereof is received by SSI, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. The calculations required above shall be made within five months after the end of each calendar year. However, to enable SSI to meet its financial commitments, SSI may, prior to such calculations, retain the payments received by it on behalf of Lessee. Further, since the parties desire to determine on a quarterly basis the approximate amount of the rental charges due SSI, SSI shall within three months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis the amount due it pursuant to this section. Any amounts payable ^{to either party} pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that following the yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party.

C. In the event a fraction, the numerator of which is the aggregate number of days that per diem is earned on the Cars in the immediately preceding four (4) calendar quarters commencing with the first full four (4) calendar quarters after receipt of the last Car on the Schedule executed concurrently herewith, and the denominator of which is the aggregate number of days that the Cars were available to the Lessee during such period less the aggregate number of days the Cars were out of service on foreign railroads not earning car hire revenues for any reason, is less than 87.5 percent, SSI may, at its option and upon not less than thirty (30) days prior written notice to Lessee, terminate this Agreement with respect to such number of Cars as is necessary to bring the utilization of the Cars up to ninety (90) percent; provided, however, that prior to such termination Lessee may have the option of paying SSI an amount equal to the difference between the amount SSI actually received during said four (4) calendar quarters and the amount SSI would have received had a utilization rate for the Cars of 87.5 percent been achieved.

D. SSI may, at its option, terminate this Agreement upon thirty days written notice to Lessee if the ICC shall, at any time, (1) issue an order reducing incentive car hire for Cars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both SSI and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee spend funds not earned by the Cars in order for Lessee to continue to meet its obligations set forth in this section.

Lessee may, in any event, terminate this Agreement if for any reason governmental regulations or orders prohibit the payment of the Rental Charges described in this Section 6.

E. Subsequent to the initial loading, if any Car remains on Lessee's railroad tracks for more than seven consecutive days, SSI may, at its option and upon not less than 24 hours prior written notice, terminate this Agreement as to such Car and withdraw such Car from Lessee's railroad tracks, provided, however, that Lessee may, at its option, keep possession of such Car by remitting to SSI an amount equal to the car hire revenues Lessee would have earned if such Cars were in the physical possession of another railroad for the entire period. If any such Car remains on Lessee's railroad tracks more than seven consecutive days because Lessee has not given preference to the Cars as specified in Section 3B, Lessee shall be liable for and remit to SSI an amount equal to the car hire revenues Lessee would have earned if such Cars were in the physical possession and use of another railroad for the entire period, provided, however, that such payments shall be included in car hire payments earned by Lessee on the Cars as described in Section 6A(i). In addition, there shall be excluded from the above, those days Lessee is required to hold Cars at the direction of, or due to the action taken or used by SSI.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business. Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by SSI in connection with the acquisition of Cars, i.e., upon acknowledgement of receipt of notice to Lessee from any such secured party or

owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Cars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either SSI or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party, and upon prior communication to the other party.

B. Lessee will not directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an Event of Default:

(i) The nonpayment by Lessee or SSI of any sum required herein to be paid by Lessee or SSI within thirty days after the date written notice of any such payment is due.

(ii) The breach by Lessee or SSI of any other term, covenant or condition of this Agreement, which is not cured within thirty days after written notice thereof by either party to the other.

(iii) Any affirmative act of insolvency by Lessee or SSI, or the filing by Lessee or SSI of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee or SSI that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee or SSI, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of Lessee's or SSI's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state if it would materially decrease Car utilization as defined in Section 6A.

B. Upon the occurrence of any Event of Default, SSI or Lessee if not then in default may, at its respective option, terminate this Agreement and may proceed by appropriate court action to enforce performance by the defaulting party of its obligations under the terms of this Agreement or to recover damages for the breach thereof. Lessee and SSI agree that the defaulting party shall bear the costs and expenses, including reasonable attorneys' fees, of any such action. Upon the Event of Default solely of Lessee, SSI may, by notice in writing to Lessee, terminate Lessee's right of possession of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon SSI may by its agent enter upon any premises where the Cars may be located and take possession of them and thenceforth hold, possess and enjoy the same free from any right of Lessee. SSI shall nevertheless have a right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

A. At the expiration or termination of this Agreement as to any Cars, Lessee will surrender possession of such Cars to SSI by delivering the same to SSI. A Car shall be deemed terminated and no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Car and the placing thereon of such markings as may be designated by SSI, either, at the option of SSI, (1) by Lessee upon return of such Cars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car. If such Cars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by SSI. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense (except when the termination of the Agreement is due to the fault of SSI, then at SSI's expense) within ten working days remove Lessee's railroad markings from the Cars and place thereon such minimum railroad identification markings as may be required by AAR and as designated by SSI. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to ten (10) days free storage on its railroad tracks for SSI or the subsequent lessee of any terminated Car. For any storage after the tenth day hereunder, Lessee may charge SSI published storage charges as a reasonable cost for such storage, or may, at its option, arrange for suitable storage of such Car with persons not a party to this Agreement at the sole risk, cost, and expense of SSI. If any Car is terminated pursuant to Section 8, due to the fault of Lessee, prior to the end of its lease term, Lessee shall be liable to SSI for all costs and expenses incurred by SSI to repaint the Cars and place thereon the markings and name or other insignia of SSI's subsequent lessee.

B. Notwithstanding anything in this Agreement to the contrary, and in consideration of Lessee entering into this Agreement, Itel, upon termination of this Agreement for any reason and in the event of SSI's failure to make full and prompt payment of its obligations hereunder or completely perform all of its other obligations hereunder for a period of sixty (60) days after SSI's receipt of a written request from Lessee so to do, hereby guarantees full and prompt payment and complete performance of all of SSI's obligations under this Agreement. In connection with this guarantee of payment and performance, Itel represents, warrants and covenants to Lessee that Itel is a corporation duly organized, validly existing and in good standing under the law of the State of Delaware with full power to execute and deliver this Agreement and the guarantee contained herein and to perform its obligations hereunder; that all such actions have been duly authorized by all necessary corporate action, are not in conflict with any provision of applicable law or regulation or the charter or by-laws of Itel or with any agreement to which Itel is a party; that Itel has complied with all applicable laws and regulations, and has obtained all necessary governmental and regulatory authority, approvals and consents to enable Itel to perform its obligations hereunder; and that this Agreement and the guarantee are the legal and binding obligations of Itel.

10. Indemnities

A. SSI will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Cars and (2) any claim, (patent or otherwise) cause of action, damage, liability, fines, cost or expense (including legal fees and cost) which may be asserted against Lessee with respect to the Cars (other than loss or physical damage) unless occurring through the fault of Lessee, including without limitation the construction, purchase and delivery of the Cars to Lessee's railroad line, ownership, leasing or return of the Cars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by SSI or Lessee).

B. Any expense of any kind whatsoever incurred by Lessee, which is required under the terms of this Agreement to be borne by SSI, shall be paid promptly by SSI to Lessee upon written request therefore by Lessee, including, but not limited to, costs, expenses, fees and charges relating to maintenance, repair or inspection performed or caused to have performed pursuant to governmental or AAR regulations as a result of this Agreement.

11. Representations, Warranties and Covenants

Lessee and SSI respectively represent, warrant and covenant that:

(i) Lessee and SSI are corporations duly organized, validly existing and in good standing under the laws of the state where they are incorporated and have the corporate power, authority and are duly qualified and authorized to do business wherever necessary, to carry out their present business and operations and to own or hold under lease their properties and to perform their obligations under this Agreement.

(ii) The entering into and performance of this Agreement as of the initial Car date of delivery will not violate any judgment, order, law or regulation applicable to Lessee or SSI, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or SSI or on the Cars pursuant to any instrument to which Lessee or SSI is a party or by which they or their assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee or SSI before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee or SSI.

(iv) There is no fact which Lessee has not disclosed to SSI nor is Lessee a party to any agreement or instrument which, so far as the Lessee can now reasonably foresee, will materially adversely affect the ability of the Lessee to perform its obligations under this Agreement.

(v) Lessee has during the years 1964-1968 neither leased any boxcars nor purchased any new or rebuilt boxcars.

12. Inspection

SSI shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify SSI of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify SSI in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee, upon SSI's written request shall furnish to SSI promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except for an assignment by SSI to its parent or a subsidiary or affiliate or an assignment to a financial or banking institution for indebtedness incurred by SSI, neither SSI nor Lessee may, without the prior written consent of the other, assign this Lease Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by SSI in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

D. No failure or delay by SSI or Lessee shall constitute a waiver or otherwise affect or impair any right, power or remedy available to SSI or Lessee nor shall any waiver or indulgence by SSI or lessee or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SSI RAIL CORP.

BY: William J. Texido

TITLE: President

DATE: September 6, 1977

Arkansas & Louisiana Missouri Railway Company

BY: J.W. Keller

TITLE: President

DATE: June 14, 1977

ITEL CORPORATION

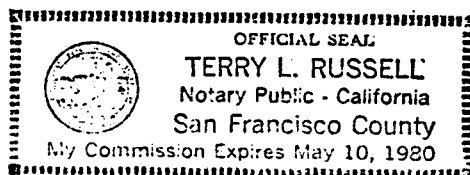
BY *H. H. H. H. H.*

TITLE: *SECRETARY*

DATE: September 7, 1977

STATE OF California
COUNTY OF San Francisco

On this 7th day of September, before me personally appeared Herm. H. H. H. H., to me personally known, who being by me duly sworn says that such person is Secretary of ITEL Corporation, that the foregoing Lease Agreement and Equipment Schedule No. was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.



Terry L. Russell
Notary Public

STATE OFLouisiana.....

PARISH OFOuachita.....

On this 14th day of June, 1977, before me personally appeared ..J..W..Keller....., to me personally known, who being by me duly sworn says that such person is ...President..... of Arkansas.&.Louisiana.Missouri.Railway....., that the foregoing Lease Agreement and Equipment Schedule No. 1 & 2..... was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

W Craig Perry
Notary Public

STATE OF *California*..... }
COUNTY OF *San Francisco* }

On this *6th* day of *September*....., before me personally appeared *William J. Lepido* to me personally known, who being by me duly sworn says that such person is *President*... of SSI Rail Corp., that the foregoing Lease Agreement and Equipment Schedule No. *1 & 2*... was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Terry L. Russell
Notary Public



EQUIPMENT SCHEDULE No. 4

Iitel Corporation, Rail Division hereby leases the following Cars to ARKANSAS & LOUISIANA MISSOURI RAILWAY COMPANY subject to the terms and conditions of that certain Lease Agreement dated as of June 14, 1977.

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	General Purpose box Car Plate E End of car cushion- ing, Mailable Steel Floor	ALM 1150- 1249	60' 11"	9' 6"	11' 5"	13'	100

RECORDATION NO. 9049 Filed 1425

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INTERSTATE COMMERCE COMMISSION

ITEL CORPORATION, RAIL DIVISION

BY:

Joseph M. Costello, Jr.

TITLE: President

DATE:

3/17/78

ES-1/78

ARKANSAS & LOUISIANA MISSOURI RAILWAY COMP.

BY:

J. W. Keller

President

TITLE:

March 15, 1978

DATE:

Conrad's Seal

Rider No. 2 to the Lease Agreement made as of June 14, 1977 between Itel Corporation, Rail Division and ARKANSAS & LOUISIANA MISSOURI RAILWAY CO.

The following is added to Section 1C:

"Itel Rail and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers ALM 1150 - 1249 set forth on Equipment Schedule No. 4 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and Itel Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars."

For the purposes of determining the rent for the Cars bearing the identifying numbers ALM 1150 - 1249 set forth on Equipment Schedule No. 4 to the Agreement, the number "94 per cent" shall be substituted in Section 6A(i) and 6A(ii) for the number "90 per cent" each time it appears. SUBJECT AS BELOW.

ITEL CORPORATION, RAIL DIVISION

ARKANSAS & LOUISIANA MISSOURI RAILWAY CO.

BY: *Joseph M. Costello, Jr.*
JOSEPH M. COSTELLO, JR.
TITLE: President

BY: *J. W. Keller*
J. W. KELLER
TITLE: President

DATE: 3/17/78

DATE: March 15 1978

Upon final determination of Lessee's federal income tax liability for the calendar year 1979, and for any other year to which Lessee's 1979 Investment Tax Credit may be carried, Lessee shall advise Itel Rail as to the amount of Investment Tax Credit allowed to Lessee with respect to the said Cars and subsequently shall advise Itel Rail as to any subsequent recapture or other modification of such Investment Tax Credit other than by reason of damage to or destruction of any of the Cars. In the event Lessee advises Itel Rail that Lessee was allowed the full amount of Investment Tax Credit subject to Itel Rail's election, without subsequent recapture or modification other than by reason of damage to or destruction of any of the Cars, or would have been allowed such full amount except for Lessee's inability to use such full amount solely by reason of insufficient federal income tax liability of Lessee for 1979 and any other taxable year of Lessee to which 1979 investment tax credit may be carried, then the rental for the said Cars due to Itel Rail hereunder shall be determined as provided above. In the event Lessee advises Itel Rail that Lessee was not allowed the Investment Tax Credit for any reason other than insufficient Federal Income tax liability of Lessee or damage to or destruction of any of the Cars, and such Investment Tax Credit has been received and used by Itel Rail, the rent for the said Cars shall be determined as provided in Sections 6A(i) and 6A(ii) and not as provided above, and Itel Rail shall refund to Lessee any amount of rent received therefor by Itel Rail during the term of this Agreement in excess of the amount determined as provided in the said Sections. For the purpose of determining Itel Rail's Investment Tax Credit use, Investment Tax Credit received by Itel Rail under this Agreement shall not be deemed to have been used until all other Investment Tax Credits for the same calendar year available to Itel Rail, or to any affiliated company which files a consolidated Federal income tax return with Itel Rail, have been used.

STATE OF Louisiana }
COUNTY OF Orleans }

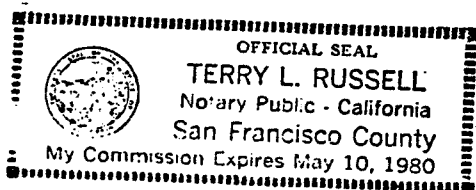
On this 15 day of March, before me personally appeared J. W. Kellan, to me personally known, who being by me duly sworn says that such person is President of Ark. & La. Mo. Ry. Co., that the foregoing Equipment Schedule No. was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

James M. Donald
Notary Public

STATE OF California }
COUNTY OF San Francisco }

On this 17th day of March 1978, before me personally appeared Joseph M. Costello Jr. to me personally known, who being by me duly sworn says that such person is President of IteL Corporation, Rail Division, that the foregoing Equipment Schedule No. 4 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

James M. Donald
Notary Public



MAY 26 1978 -2 22 PM

LEASE AGREEMENT

INTERNATIONAL COMMERCE COMMISSION

THIS LEASE AGREEMENT, made as of the 23rd day of December, 1977, among ITEL CORPORATION, a Delaware corporation, One Embarcadero Center, San Francisco, California 94111 ("Itel"), SSI RAIL CORP., a Delaware corporation, Two Embarcadero Center, San Francisco, California 94111 ("SSI") as Lessor and MARINETTE, TOMAHAWK & WESTERN RAILROAD COMPANY, a Wisconsin corporation (the "Lessee"), as Lessee.

1. Scope of Agreement

A. SSI agrees to lease to Lessee, and Lessee agrees to lease from SSI, Three Hundred (300) boxcars of the types and descriptions as set forth in any lease schedules executed by the parties concurrently herewith or from time to time hereafter and made a part of this Lease Agreement. The scheduled items of equipment are hereinafter called collectively the "Boxcars". The word "Schedule" as used herein includes the Schedule executed concurrently herewith and all additional Schedules and amendments thereto for Boxcars, each of which when signed by both parties shall be a part of this Lease Agreement.

B. It is the intent of the parties to this Lease Agreement that SSI shall at all times be and remain the lessor of all the Boxcars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

C. SSI agrees to elect, and to furnish to Lessee necessary documentation of such election, to transfer to Lessee all of the investment tax credit available to the owner with respect to Two Hundred (200) of the Three Hundred (300) Boxcars leased by SSI to Lessee under this Lease Agreement and agrees not to take any action inconsistent with such election. The Boxcars as to which investment tax credit will be transferred to Lessee will be specifically identified and designated on the Schedule by Boxcar numbers.

2. Term

A. This Lease Agreement shall remain in full force until it shall have been terminated as to all of the Boxcars.

The term of a lease with respect to each Boxcar shall begin on the date of delivery of such Boxcar as set forth in Section 3A hereof and shall end on December 31, 1990. All such dates of delivery shall be during the calendar year 1978.

B. If this Lease Agreement has not been earlier terminated and no default has occurred and is continuing, the lease term with respect to each Boxcar shall be automatically extended for up to ten (10) consecutive periods of twelve (12) months subsequent to the initial period; provided, however, that SSI or Lessee may terminate this Lease Agreement, after expiration of such initial period or any extension thereof, by twelve (12) months notice in writing delivered to the other.

3. Supply Provisions

A. SSI will arrange for the purchase of Boxcars conforming to the specifications set forth in the Schedule and to all applicable governmental regulatory specifications. During and after manufacture of the Boxcars, SSI will at its own cost and expense, cause the Boxcars to be inspected in accordance with applicable government and AAR regulations. SSI shall certify in writing to Lessee that such Boxcar conforms to the specifications set forth in the Schedule and to all applicable governmental regulatory specifications. SSI will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance and the date thereof (the "date of delivery"). The Boxcars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance by SSI as is consistent with mutual convenience and economy. Notwithstanding that Lessee may not have immediate physical possession of the Boxcars, Lessee agrees to pay to SSI the rental charges set forth in this Lease Agreement and all use of the Boxcars on and after the date of delivery shall be by or for the benefit of Lessee. To move the Boxcars to Lessee's railroad line and insure optimal use of the Boxcars, SSI agrees to assist Lessee in monitoring Boxcar movements and, when deemed necessary by Lessee and SSI, to issue movement orders to other railroad lines with respect to such Boxcars in accordance with ICC and AAR interchange agreements and rules.

B. Lessee agrees that so long as it shall have on lease one or more types of Boxcar, it shall not lease Boxcars from any other party (except Owens-Illinois, Inc. or a subsidiary

thereof) unless it shall have leased the Three Hundred (300) Boxcars required by this Lease Agreement. Once the Three Hundred (300) Boxcars shall have been leased by Lessee, it shall then not lease Boxcars from any other party (except Owens-Illinois, Inc. or a subsidiary thereof) unless it shall have given SSI at least forty-five (45) days' prior written notice of its desire to lease Boxcars and SSI shall then have the opportunity to lease such Boxcars to Lessee (subject to the terms and conditions of this Lease Agreement and manufacturer's delivery schedules) and at terms not less favorable to Lessee than that offered by such other parties. The foregoing, however, shall not be deemed to prohibit Lessee from leasing from other parties if SSI cannot equal the lease terms offered by such other parties. Notwithstanding the purchase of Boxcars or the lease or direct interchange of Boxcars from other parties, Lessee shall give preference to SSI and shall load the Boxcars leased from SSI prior to loading other Boxcars (except (i) Boxcars owned by RAILBOX where Lessee is required to give preference thereto by the action of any legislative body or regulatory or governmental agency, and except (ii) Boxcars assigned to Lessee's service pursuant to existing agreements or leases); provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Boxcars may be leased from SSI by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Boxcars shall be identified in Schedules to this Lease Agreement and shall benefit from and be subject to this Lease Agreement upon execution of the Schedules by SSI and Lessee.

D. In the event during the term of this Lease Agreement any Boxcar becomes for any reason and in the sole determination of Lessee no longer available to Lessee for its intended use, then any such Boxcars shall be deleted from the Schedule.

4. Railroad Markings and Record Keeping

A. SSI agrees that on or before delivery of the Boxcars to Lessee, the Boxcars will be painted in the colors designated by Lessee and lettered with, in addition to the railroad markings of Lessee, the name and/or other insignia used by

Lessee. Such name or insignia shall comply with all applicable regulations and shall be affixed to the Boxcars with a width not greater than seven (7) feet.

B. Lessee shall, or if requested by Lessee, SSI shall, during the term of this Lease Agreement prepare all documents for Lessee's signature and filing relating to the registration, maintenance and record keeping functions normally performed by Lessee with respect to the Boxcars. Such matters shall include but are not limited to the preparation of the following documents: (i) appropriate AAR interchange agreements with respect to the Boxcars including an application for relief from AAR Car Service Rules 1 and 2 (at Lessee's option); (ii) registration for each Boxcar in the official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies with respect to the Boxcars.

C. Lessee shall, or if requested by Lessee SSI shall, perform all record keeping functions related to the use of the Boxcars by Lessee and other railroad in accordance with AAR railroad interchange agreements and rules such as car hire reconciliation. Correspondence from railroads using such Boxcars shall be addressed to Lessee at such address as Lessee, or SSI at Lessee's request, shall select.

D. All record keeping performed by SSI or Lessee hereunder and all record of payments, charges and correspondence related to the Boxcars shall be separately recorded and maintained by SSI or Lessee in form suitable for reasonable inspection by the other party from time to time during regular business hours of the party who is maintaining the records. Lessee shall supply SSI with such reports regarding the use of Boxcars by Lessee on its railroad line as SSI may reasonably request.

5. Maintenance, Taxes and Insurance

A. SSI will pay all costs, expenses, fees or charges incurred in connection with the use and operation of each Boxcar during its lease term and any extension thereof, including, but not limited to, inspection, repairs, maintenance and servicing, unless such payments were occasioned by the fault of Lessee while a Boxcar was in the physical possession of Lessee. Lessee shall be responsible to inspect all Boxcars interchanged

to it to insure that such Boxcars are in good working order and condition and shall be liable to SSI for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to SSI for and during the lease term of each Boxcar any right, title and interest in any warranty it may have in respect of any Boxcars. All claims or action on any warranty so assigned shall be made and prosecuted by SSI at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be made payable to SSI. All proceeds from such recovery shall be used by SSI to repair or replace the Boxcars.

B. Lessee may make running repairs to facilitate continued immediate use of a Boxcar, but shall not otherwise make any alterations, improvements or additions to the Boxcars without SSI's prior written consent. If Lessee makes an alteration to any Boxcar without SSI's prior written consent, Lessee shall be liable to SSI for any revenues lost due to such alteration. Title to any such alteration, improvement or addition occurring in the course of, or as a result of, normal and customary maintenance shall be and remain with SSI.

C. Upon request of and at the expense of SSI, Lessee shall perform any necessary maintenance and repairs to Boxcars on Lessee's railroad tracks as may be reasonably requested by SSI and which Lessee, in its opinion, has the capability to perform. SSI shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Boxcars in good operating condition throughout the term of the lease of such Boxcars.

D. SSI will at all times while this Lease Agreement is in effect and at its own expense cause to be carried and maintained contingent liability insurance in amounts and coverage satisfactory to Lessee. Such insurance shall be taken out in the name of SSI and Lessee as their interests may appear. The policies or certificates shall provide that there shall be no recourse against Lessee for the payment of premiums, and shall provide for at least ten (10) business days' prior written notice to be given to Lessee by the underwriters in the event of cancellation. If SSI shall default in the payment of any premium in respect of any such insurance policies, Lessee may, but shall not be obliged to, pay such premium, and if Lessee does so, Lessee shall deduct the amount of such premium or premiums from the Rental Charges.

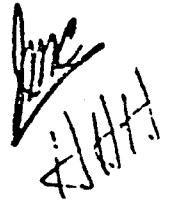
E. Lessee will at all times while this Lease Agreement is in effect be responsible for the Boxcars while they are on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the "AAR Car Service and Car Hire Agreement Code of Car Service Rules -- Freight" for cars not owned by Lessee which are operating on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Boxcars by either obtaining insurance or maintaining a self insurance program which conforms to sound actuarial principles. If Lessee elects to carry insurance, it shall furnish SSI concurrently with the execution hereof and thereafter at intervals of not more than twelve (12) calendar months, with a certificate of insurance signed by an independent insurance broker with respect to the insurance carried on the Boxcars. All insurance shall be taken out in the name of Lessee and SSI (or its assignee) as their interests may appear.

F. SSI agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee and by whomsoever payable on or relating to each Boxcar and on the lease, delivery or operation thereof which may be accrued, levied, assessed or imposed during the lease term or which remain unpaid as of the date of delivery of such Boxcar to Lessee, except taxes on net income imposed on Lessee and sales and use taxes imposed on the mileage charges and/or car hire revenues. SSI shall forward to Lessee all sales and use taxes received by it on behalf of Lessee. SSI and Lessee will comply with all state and local law requiring the filing of ad valorem tax returns on the Boxcars. SSI and Lessee shall review all tax returns prior to filing, it being understood that such review will be made in a prompt fashion in order to prevent any late filings and charges.

6. Rental Charges

A. Lessee agrees to pay the following Rental Charges to SSI for the use of SSI's Boxcars:

(i) SSI shall receive as rental payments amounts equal to all of the mileage charges and car hire revenues (including both straight and incentive per diem) payable to Lessee by other railroad companies if the utilization of all of the Boxcars on an

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aggregate basis for each calendar year shall be equal to or less than ninety-two (92) percent. For the purpose of this Lease Agreement, utilization of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that per diem is earned on the Boxcars, commencing from the date of delivery, and the denominator of which is the aggregate number of days in each year that the Boxcars are on lease to Lessee, commencing from the date of delivery.

(ii) Except as otherwise provided in subparagraph (iii), in the event the utilization exceeds ninety-two (92) percent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the revenues earned in excess of the SSI Base Rental. For the purpose of this Lease Agreement, SSI Base Rental shall be an amount equal to the total mileage charges and car hire revenues for the calendar year multiplied by a fraction, the numerator of which is ninety-two (92) percent and the denominator of which is the utilization for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if the utilization is greater than ninety-two (92) percent in any calendar year, receive one-half of the all mileage and car hire revenues earned by Lessee in excess of the SSI Base Rental.)

(iii) Upon final determination of Lessee's federal income tax liability for the calendar year 1978, and for any other year to which Lessee's 1978 investment tax credit may be carried, Lessee shall advise SSI as to the amount of investment tax credit allowed to Lessee with respect to Two Hundred (200) of the Three Hundred (300) Boxcars and subsequently shall advise SSI as to any subsequent recapture or other modification of such investment tax credit. In the event Lessee

advises SSI that Lessee was allowed the full amount of investment tax credit subject to SSI's election, without subsequent recapture or modification, or would have been allowed such full amount except for Lessee's inability to use such full amount solely by reason of insufficient federal income tax liability of Lessee for 1978 and any other taxable year of Lessee to which 1978 investment tax credit may be carried, then no refund shall be due Lessee from SSI, anything to the contrary herein notwithstanding. In the event Lessee advises SSI that Lessee was allowed less than the full amount of investment tax credit subject to SSI's election, for any reason other than insufficient Federal income tax liability of Lessee, then SSI shall promptly remit to Lessee an amount equal to any such investment tax credit received and used by SSI plus an amount equal to any Federal income tax benefit to SSI of making such remittance to Lessee; such remittance to be due and payable only after such use, provided that for the purpose of determining SSI's investment tax credit use, investment tax credit received by SSI under this Lease Agreement and any other lease agreements with Owens-Illinois, Inc. or a subsidiary thereof shall not be deemed to have been used until all other investment tax credits for the same calendar year available to SSI, or to any affiliated company which files a consolidated Federal income tax return with SSI, have been used. After SSI's receipt and use of investment tax credit not allowed to Lessee is finally determined, if SSI either did not receive or did not use all of such credit not allowed to Lessee, rental shall be limited to amounts calculated under this Lease Agreement, except that a percent of ninety (90) shall be substituted in subparagraphs 6A(i) and (ii) for the percentage of ninety-two (92) and SSI shall refund to Lessee any amount of rental theretofore received by SSI

in excess of the amount computed by using the percentage ninety (90). In no event shall Lessee be entitled to total remittance of investment tax credit and Federal income tax benefit from SSI and rental adjustment and refund, all of the foregoing computed on a net after-tax basis in excess of the amount of investment tax credit not allowed to Lessee. This subparagraph (iii) shall be applied to subsequent recapture or modification of investment tax credit caused by physically damaged or destroyed Boxcars in excess of four (4) Boxcars times the number of calendar years from 1978 to the calendar year in which such recapture or modification occurs, including 1978 as the first and the calendar year of occurrence as the last year in such calculation, but this subparagraph (iii) shall not be applied to subsequent recapture or modification caused by a number of physically damaged or destroyed Boxcars equal to or less than four (4) Boxcars times the foregoing number of calendar years.

(iv) The Rental Charges payable to SSI by Lessee shall be paid from the monies received by Lessee in the following order until SSI receives the amounts due it pursuant to this Section 6: (1) incentive car hire payments; (2) straight car hire payments; and (3) mileage charges.

B. The calculations required above shall be made within three (3) months after the end of each calendar year. However, to enable SSI to meet its financial commitments, SSI may, prior to such calculations retain one hundred (100) percent of the revenue received by it on behalf of Lessee. However, since the parties desire to determine on a quarterly basis the approximate amount of the rental payment due SSI, SSI shall within three (3) months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis, the amount due it pursuant to this section. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that following the

yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party.

C. In the event a fraction, the numerator of which is the aggregate number of days in the immediately preceding four (4) calendar quarters commencing with the first full four (4) calendar quarters after receipt of the last Boxcar on the Schedule executed concurrently herewith, and the denominator of which is the aggregate number of days that the Boxcars were available to the Lessee during such period less the aggregate number of days the Boxcars were out of service on foreign railroads not earning car hire revenues for any reason, is less than eighty-seven and five tenths (87.5) percent, SSI may, at its option and upon not less than thirty (30) days' prior written notice to Lessee, terminate this Lease Agreement with respect to such number of Boxcars as is necessary to bring the utilization of the Boxcars up to ninety (90) percent; provided, however, that prior to such termination Lessee may have the option of paying SSI an amount equal to the difference between the amount SSI actually received during said four (4) calendar quarters and the amount SSI would have received had a utilization rate for the Boxcars of eighty-seven and five tenths (87.5) percent been achieved.

D. SSI may, at its option, terminate this Lease Agreement on thirty (30) days' written notice to Lessee if the ICC shall, at any time, (i) issue an order reducing incentive per diem for Boxcars on an annual basis to three (3) months or less, or (ii) determine that Lessee may not apply its net credit balance from incentive per diem settlements in payment of the Rental Charges set forth in this section. Lessee may, in any event, terminate this Lease Agreement if for any reason governmental regulations or orders prohibit the payment of the Rental Charges described in this Section 6.

E. If any Boxcar suitable for loading remains on Lessee's railroad tracks for more than seven (7) days, SSI may, at its option and upon not less than twenty-four (24) hours' prior written notice, terminate this Lease Agreement as to such Boxcar and withdraw such Boxcar from Lessee's railroad tracks. If any such Boxcar remains on Lessee's railroad tracks more than seven (7) days because Lessee has not given preference to SSI's Boxcars as specified in Section 3B, Lessee shall be liable to SSI for an amount equal to the car hire revenues Lessee would have

earned if such Boxcars were in the physical possession and use of another railroad for the entire period after the expiration of seven (7) days, provided that there shall be excluded from the above, those days Lessee is required to hold the Boxcars at the direction of, or due to action taken or caused by, SSI.

7. Lessee's Assumption of Record Keeping and Receipt of Rental Charges

At any time during the term of this Lease Agreement after having requested that SSI perform the record keeping referred to in Sections 4.B and 4.C of this Lease Agreement, at its sole discretion Lessee may, upon prior written notice to SSI, take over and assume from SSI as soon as is practicable but in no event later than six (6) months after receipt of notice by SSI, all record-keeping functions, record of payments, charges and correspondence related to the use of the Boxcars. In addition, upon the giving of the notice provided for above, the parties will, as soon as practicable but in no event later than six (6) months, make arrangements for the receipt of Rental Charges by Lessee rather than SSI, it being understood that upon receipt of such Rental Charges by Lessee, Section 6B of the Lease Agreement will automatically be deemed to be revised to read as follows:

"B. The calculations required above shall be made within three (3) months after the end of each calendar year. However, since the parties desire that rental payments be made currently so that SSI may meet its financial commitments, Lessee shall remit to SSI on the first business day of each month, the full amount of all payments received by Lessee (less any deduction authorized to be made by Lessee under the terms of this Lease Agreement) during the next preceding calendar month from any car hire settlement with respect to any Boxcar leased hereunder. Following the yearly calculation, one-half of any amount paid to SSI in excess of the SSI Base Rental shall be deducted by Lessee from subsequent Rental Charges."

8. Possession and Use

A. So long as Lessee shall not be in default under this Lease Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the

terms of this Lease Agreement and in the manner and to the extent Boxcars are customarily used in the railroad freight business. Lessee agrees that to the extent it has physical possession and can control use of the Boxcars, the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having powers to regulate or supervise the use of such property, except that either SSI or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner and upon prior communication to the other party.

B. Lessee will not directly or indirectly create, or incur any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Boxcars or any interest therein or in this Lease Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time.

C. Lessee agrees that its rights to the Boxcars, other than as Lessee, shall at all times during the term of the Lease Agreement be subject and subordinate to the rights of the owner or secured party under any financing agreement entered into by SSI in connection with the Boxcars.

9. Default Remedies Upon Default

A. The occurrence of any of the following events shall be events of default:

(i) The nonpayment by Lessee or SSI of any sum required hereunder to be paid by Lessee or SSI within thirty (30) days after written notice thereof;

(ii) The failure of SSI to comply with the provisions of Section 7;

(iii) The default by Lessee or SSI under any other material term, covenant, or condition of this Lease Agreement which is not

cured within thirty (30) days after written notice thereof by either party to the other;

(iv) Any affirmative act of insolvency by Lessee or SSI or the filing by Lessee or SSI of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors;

(v) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee or SSI that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee or SSI unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment;

(vi) The subjection of any of Lessee's or SSI's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency if the effect thereof would be to materially affect the ability of such party to perform its obligations under this Lease Agreement; or

(vii) The termination of any insurance coverage required of Lessee or SSI by this Lease Agreement.

B. Upon the occurrence of any event of default, SSI or Lessee may, at its respective option, terminate this Lease Agreement and may proceed by appropriate court action to enforce performance by the defaulting party of its obligations under the terms of this Lease Agreement or to recover damages for the breach, thereof. Lessee and SSI agree that the defaulting party shall bear the costs and expenses, including reasonable attorneys' fees of any such action. Upon the event of default solely of Lessee, SSI may, by notice in writing to Lessee, terminate Lessee's right of possession of the Boxcars, whereupon all right

and interest of Lessee in the Boxcars shall terminate; and thereupon SSI may by its agents enter upon any premises where the Boxcars may be located and take possession of them and thenceforth hold, possess and enjoy the same free from any right of Lessee. SSI shall nevertheless have a right to recover from Lessee any and all rental amounts which under the terms of this Lease Agreement may then be due or which may have accrued to that date.

10. Termination

A. At and after the expiration or termination of this Lease Agreement as to any Boxcars, Lessee will surrender possession of any Boxcars in its possession or subsequently received by Lessee by delivering the same to such destination as may be designated by SSI. All assembling, delivery, storage and transporting of the Boxcars shall be at the expense and risk of SSI. A Boxcar shall be deemed terminated and no longer subject to this Lease Agreement upon the removal of Lessee's railroad markings from the Boxcar, at the direction of, or by any of the parties hereto, and the placing thereon of such markings as may be designated by SSI. The changing of the markings shall occur as follows:

(i) If such Boxcars are on the railroad line of Lessee upon such expiration or termination, or are subsequently returned to Lessee's railroad line, Lessee shall, at Lessee's expense (except when the termination of the Lease Agreement is due to the fault of SSI, then at SSI's expense) and within ten (10) working days after written notice is received from SSI, remove Lessee's railroad markings from the Boxcars and place thereon such minimum railroad identification markings as required by the AAR and as designated by SSI. After the removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to ten (10) days' free storage on its railroad tracks for SSI or the subsequent lessee of any terminated Boxcar. For any storage after the tenth day hereunder, Lessee may charge SSI published

storage charges as the reasonable cost of such storage, or may, at its option, arrange for suitable storage of such Boxcar with persons not a party to this Lease Agreement at the sole risk, cost and expense of SSI; or

(ii) If such Boxcars are not on the railroad line of Lessee upon termination, all costs of assembling, delivery, marking, storing and transporting such Boxcars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by SSI.

B. Notwithstanding anything in this Lease Agreement to the contrary, and in consideration of Lessee entering into this Lease Agreement, Itel, upon termination of this Lease Agreement for any reason and in the event of SSI's failure to make full and prompt payment of its obligations hereunder or completely perform all of its other obligations hereunder for a period of sixty (60) days after SSI's receipt of a written request from Lessee so to do, hereby guarantees full and prompt payment and complete performance of all of SSI's obligations under this Lease Agreement. In connection with this guarantee of payment and performance, Itel represents, warrants and covenants to Lessee that Itel is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full power to execute and deliver this Lease Agreement and the guarantee contained herein and to perform its obligations hereunder; that all such actions have been duly authorized by all necessary corporate action, are not in conflict with any provision of applicable law or regulation or the charter or by-laws of Itel or with any agreement to which Itel is a party; that Itel has complied with all applicable laws and regulations, and has obtained all necessary governmental and regulatory authority, approvals and consents to enable Itel to perform its obligations hereunder; and that this Lease Agreement and the guarantee are the legal and binding obligations of Itel.

11. Indemnities

A. SSI will defend, indemnify and hold harmless Lessee from and against (i) any and all loss or damage of or to the Boxcars, unless occurring through the fault of Lessee while Lessee has physical possession of the Boxcars and (ii) any claim

(patent or otherwise), cause of action, damage, liability, fines, cost or expense (including legal fees and costs) to which the Boxcars may be subject or which may be incurred in any manner by or for the account of any such Boxcar (unless occurring through the fault of Lessee) relating to the Boxcars or any part thereof, including without limitation the construction, purchase, delivery of the Boxcars to Lessee's railroad line, ownership, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by SSI or Lessee).

B. Any expense of any kind whatsoever incurred by Lessee, which is required under the terms of this Lease Agreement to be borne by SSI, shall be paid promptly by SSI to Lessee upon written request therefor by Lessee, including, but not limited to, costs, expenses, fees and charges relating to maintenance, repair or inspection performed on any railroad rolling stock which Lessee is required to perform or caused to have performed pursuant to governmental or AAR regulations as a result of this Lease Agreement.

12. Warranties and Covenants

Lessee and SSI respectively represent, warrant and covenant to each other that:

(i) Lessee and SSI are corporations duly organized, validly existing and in good standing under the laws of the respective states where they are incorporated, and have the corporate power and authority and are duly qualified and authorized to do business where, in the reasonable opinion of their respective management, they deem it necessary to carry out their present business and operations and to own or hold under lease their properties and to perform their obligations under this Lease Agreement.

(ii) The entering into and performance of this Lease Agreement will not violate any judgment, order, law or regulation applicable to Lessee or SSI, or result, in any breach of, or constitute a default under, or result

in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or SSI or on the Boxcars (except for equipment financing entered into by SSI for the construction of such Boxcars) pursuant to any instrument to which Lessee or SSI is a party or by which they or their assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee or SSI before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee or SSI.

(iv) Lessee is not a party to any present agreement or instrument or subject to any charter or other corporate restriction which, at the time of entering into this Lease Agreement, will individually or in the aggregate materially adversely affect Lessee's ability to perform its obligations under this Lease Agreement.

(v) Lessee has during the years 1964-1968 neither leased nor purchased any Boxcars.

13. Inspection

SSI shall at any time during normal business hours have the right to enter Lessee's premises where a Boxcar may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall notify SSI of any accident of which it has knowledge connected with the malfunctioning or operation of any Boxcar, including in such report the time, place and nature of the accident and the damage caused to property, the names and addresses of any persons injured and of witnesses and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify SSI in writing within five (5) days of receipt of notice of any attachment, tax lien or other judicial process

affecting any Boxcar. Upon SSI's written request, Lessee shall furnish a copy of its annual report submitted to the ICC and copies of any other income or balance sheet statements required to be submitted to the ICC.

14. Miscellaneous

A. This Lease Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except for an assignment by SSI to its parent or a subsidiary or affiliate or an assignment to a financial or banking institution for indebtedness incurred by SSI, neither SSI nor Lessee may, without the prior written consent of the other, assign, this Lease Agreement or any of its rights hereunder or sublease the Boxcars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of this Lease Agreement.

C. It is expressly understood and agreed by the parties hereto that this Lease Agreement constitutes only a lease of the Boxcars and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Boxcars other than as a lessee.

D. No failure or delay by SSI or Lessee shall constitute a waiver or otherwise affect or impair any right, power or remedy available to SSI or Lessee, nor shall any waiver or indulgence by SSI or Lessee, or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Lease Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States Mail, postage prepaid, certified or registered, addressed to the President of SSI or Itel or the General Manager of Lessee at the respective address set forth above or to such other address as may be specified by any party in a notice to all other parties in accordance herewith.

G. This Lease Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any previous written or oral agreement in connection therewith.

H. This Lease Agreement may be executed in multiple counterparts, each of which shall be considered as an original and such counterparts shall together constitute one agreement between the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement as of the day and year first above written.

ITEL CORPORATION

By *H. H. Hamilton*
Title *Secretary*
Date *12/29/77*

SSI RAIL CORP.

By *Jack M. Catlett*
Title *PRESIDENT*
Date *12/29/77*

MARINETTE, TOMAHAWK & WESTERN
RAILROAD COMPANY

By *W. D. Feltner*
Title *Vice President*
Date *12/23/77*

STATE OF OHIO)
)SS:
COUNTY OF LUCAS)

On this 23rd day of December, 1977, before me personally appeared Mell Nelson to me personally known, who being by me duly sworn says that he is Vice President of the Marinette, Tomahawk & Western Railroad Company, by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Donald M. Hawkins
Notary Public

Donald M. Hawkins

Notary Public—State of Ohio
My Commission has no expiration
date, Section 147.02 R.C.

STATE OF CALIFORNIA)
)SS:
COUNTY OF SAN FRANCISCO)

On this 29th day of December, 1977, before me personally appeared Joseph M. Costello, Jr., to me personally known, who being by me duly sworn says that he is President of SSI Rail Corp., by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Terry L. Russell
Notary Public

STATE OF CALIFORNIA)
)SS:
COUNTY OF SAN FRANCISCO)

On this 29th day of December, 1977, before me personally appeared Herm H. Howerton, to me personally known, who being be me duly sworn says that he is Secretary of ITEL Corporation, by authority of its Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.



Terry L. Russell
Notary Public

EQUIPMENT SCHEDULE No.2

SSI Rail Corp. hereby leases following Cars to Marinette, Tomahawk & Western R.R. Co.
pursuant to that certain Lease Agreement dated as of ..December..23, 1977.

AAR Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	Box, Steel Plate "C"	MTW 4400-4499	50' 6"	9' 6"	11' 1"	10'	100
THESE CARS MUST NOT EXCEED 5,359 CUBIC FEET CAPACITY.							

SSI is obligated under the terms of a Lease Agreement dated December 23, 1977 to transfer investment tax credit on Boxcars Numbers MTW 4400 to 4499, inclusive, to Lessee. This statement constitutes the identification and designation for investment tax credit purposes specified in paragraph 1C of such Lease Agreement.

SSI RAIL CORP.

BY: *Joseph M. Cichy*TITLE: PRESIDENTDATE: 12/29/77

BG-5/77

Marinette, Tomahawk & Western R.R. Co.

BY: *Paul Wilson*TITLE: Vice PresidentDATE: 12/23/77

EQUIPMENT SCHEDULE No.3

SSI Rail Corp. hereby leases following Cars to Marinette, Tomahawk & Western R.R. Co.
pursuant to that certain Lease Agreement dated as of December 23, 1977...

A.A.R. Mech. Design	Description	Numbers	Dimensions		Height	Door Width	No. of Cars
			Length	Inside Width			
XM	Box, Steel Plate "C"	MTW 4500-4599	50' 6"	9' 6"	11' 1"	10'	100
THESE CARS MUST NOT EXCEED 5,359 CUBIC FEET CAPACITY.							

SSI is not obligated under the terms of a Lease Agreement dated December 23, 1977 to transfer investment tax credit on Boxcars Numbers MTW 4500 to 4599, inclusive, to Lessee as SSI may retain or otherwise transfer such investment tax credit as it determines in its sole discretion. This statement is intended to be explicit that no identification and designation for investment tax credit purposes has been made pursuant to paragraph 1C of such Lease Agreement with respect to these Boxcars.

SSI RAIL CORP.

BY: Joseph M. CellaTITLE: PRESIDENTDATE: 12/24/77

PG-5/77

Marinette, Tomahawk & Western R.R. Co.

BY: WILL NELSONTITLE: Vice PresidentDATE: 12/23/77

Schedule C (f/k

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 21st day of July, 1977, between SSI RAIL CORP., a Delaware Corporation, Two Embarcadero Center, San Francisco, California 94111 ("SSI"), as Lessor, and North Louisiana and Gulf Railroad Company, Hodge, Louisiana, a Louisiana corporation, ("Lessee"), as Lessee.

1. Scope of Agreement

A. SSI agrees to lease to Lessee, and Lessee agrees to lease from SSI, boxcars and/or other railroad equipment of the types and descriptions as set forth in any lease schedules executed by the parties concurrently herewith or hereafter made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto whether for boxcars or other railroad equipment, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Boxcars".

B. It is the intent of the parties to this Agreement that SSI shall at all times be and remain the lessor of all Boxcars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Boxcars as provided herein. The term of lease with respect to all of the Boxcars described on each Schedule shall be for fifteen (15) years commencing upon the date when all Boxcars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each with respect to all of the Boxcars described on each Schedule, provided, however, that SSI or Lessee may terminate this Agreement as to all, but not fewer than all, of the Boxcars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial lease term or any extended lease term

3. Supply Provisions

A. SSI will inspect each of the Boxcars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to SSI that the sample Boxcar which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and SSI's determination that the Boxcar conforms to the specifications ordered by SSI and to all applicable governmental regulatory specifications, and this Agreement has not been terminated, SSI will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Boxcars shall be deemed delivered to Lessee upon acceptance by SSI. The Boxcars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by SSI as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, SSI can neither control nor determine when the Boxcars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Boxcars leased hereunder, Lessee agrees to pay to SSI the rent set forth in this Agreement. To move the Boxcars to Lessee's railroad line and insure optimal use of the Boxcars after the first loading of freight for each Boxcar on the railroad line of Lessee, SSI agrees to assist Lessee in monitoring Boxcar movements and, when deemed necessary by Lessee and SSI, to issue movement orders with respect to such Boxcars to other railroad lines in accordance with ICC and AAR interchange agreements and rules. For purposes of this Agreement, "initial loading" shall mean the first loading of freight on the railroad line of Lessee, provided, however, if the initial loading has not occurred within 120 days of the date such Boxcar(s) have been delivered to SSI at the manufacturer's facility, initial loading shall be deemed effective on the 121st day following such delivery to SSI.

B. Lessee agrees that so long as it shall have on lease any Boxcars and SSI is not in default under this Agreement, it shall not lease boxcars from any other party until it shall have received all of the Boxcars on the Schedule or Schedules. Once Boxcars have been delivered to Lessee, it shall then not lease boxcars from any other party until it shall have given SSI at least three (3) months prior written notice of its desire to lease boxcars similar to the type on lease and SSI shall then have the opportunity to procure and lease such boxcars to Lessee subject to the terms and conditions of this Agreement and manufacturers' delivery schedules and at terms not less favorable to Lessee than those offered by such other parties. The foregoing, however, shall not be deemed to prohibit Lessee from leasing from other parties if SSI does not offer lease terms (including manufacturers' delivery schedules) equal to or better than those

offered by such other parties. Lessee shall give preference to SSI and shall load the Boxcars leased from SSI prior to loading boxcars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads except (1) boxcars owned by Railbox where Lessee is required to give preference thereto by the action of any legislative body or regulatory or governmental agency and (2) boxcars currently assigned to Lessee's service pursuant to existing agreements or leases; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Boxcars may be leased from SSI by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Boxcars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by SSI and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Boxcars, the delivery of any Boxcar to Lessee shall be subject to manufacturer's delivery schedules, financing reasonably satisfactory to SSI and the mutual acknowledgment of the parties that the addition of such Boxcars is not likely to reduce utilization of all Boxcars on Lease to Lessee to less than 87.5 per cent in any calendar quarter. If, due to the factors listed in the preceding sentence, fewer than all of the Boxcars listed on a Schedule shall be delivered to Lessee, the term of the lease shall be deemed to have commenced on the date the final Boxcar of the most recent group of Boxcars was delivered to Lessee.

4. Railroad Markings and Record Keeping

A. SSI and Lessee agree that on or before delivery of any Boxcars to Lessee, said Boxcars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, SSI shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Boxcars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents, including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Boxcar leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. SSI shall, on behalf of Lessee, perform all record keeping functions related to the use of the Boxcars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Boxcars shall be addressed to Lessee at such address as SSI shall select.

D. All record keeping performed by SSI hereunder and all record of payments, charges and correspondence related to the Boxcars shall be separately recorded and maintained by SSI in a form suitable for reasonable inspection by Lessee from time to time during regular SSI business hours. Lessee shall supply SSI with such reports, including daily telephone reports of the number of Boxcars on Lessee's tracks, regarding the use of the Boxcars by Lessee on its railroad line as SSI may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as provided in Sections 5B, 5C, 5D, 6A(iii), and 9, SSI will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Boxcars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee while such Boxcar is in the physical possession of Lessee. Lessee shall inspect all Boxcars interchanged to it to insure that such Boxcars are in good working order and condition and shall be liable to SSI for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to SSI for and during the lease term of each Boxcar all of its right, title and interest in any warranty in respect to the Boxcars. All claims or actions on any warranty so assigned shall be made and prosecuted by SSI at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to SSI. However, any recovery by SSI under such warranty shall reduce Lessee's liability to SSI under Section 5C if such liability is due to a claim or action on such warranty.

B. Except as provided above, SSI shall make or cause to be made such inspections of, and maintenance and repairs to, the Boxcars as may be required. Upon request of SSI, and at SSI's expense, Lessee shall perform any necessary maintenance and repairs to Boxcars on Lessee's railroad tracks as may be reasonably requested by SSI. In the event Lessee should be unable to make any repair to the Boxcars due to or arising out of any cause beyond its control, Lessee shall be excused from such obligation during the period of such inability. SSI shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the Boxcars in good operating condition throughout the term of the

lease of such Boxcars. Lessee may make running repairs to facilitate continued immediate use of a Boxcar, but shall not otherwise make any repairs, alterations, improvements or additions to the Boxcars without SSI's prior written consent. If Lessee makes an alteration, improvement or addition to any Boxcar without SSI's prior written consent, Lessee shall be liable to SSI for any revenues lost due to such alteration. Except for repairs, alterations, improvements, or additions to the Boxcars, made without SSI's consent as required hereunder, Lessee shall have no liability to SSI of any nature whatsoever arising out of such repairs, alterations, improvements or additions. Title to any such alteration, improvement or addition shall be and remain with SSI.

C. Lessee will at all times while this Agreement is in effect be responsible for the Boxcars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules--Freight for cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Boxcars while on Lessee's railroad tracks by either obtaining insurance or maintaining a self insurance program which conforms to sound actuarial principles. If Lessee elects to carry insurance, it shall furnish SSI concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with a certificate of insurance with respect to the insurance carried on the Boxcars signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee and SSI (or its assignee) as their interests may appear.

D. SSI agrees to reimburse Lessee, within 15 days of receipt of proof of payment, for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Boxcar and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Boxcar to Lessee or which may be accrued, levied, assessed or imposed during the lease term and sales or use taxes imposed on Lessee. SSI shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. SSI and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Boxcars. SSI shall review all applicable tax returns prior to filing.

6. Lease Rental

A. Lessee agrees to pay the following rent to SSI for the use of the Boxcars:

(i) SSI shall receive all payments made to Lessee by other railroad companies for their use or handling of the Boxcars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments

made to Lessee are hereinafter collectively referred to as "payments") if the utilization of all of the Boxcars delivered to lessee on an aggregate basis for each calendar year shall be equal to or less than 93 per cent. For the purpose of this Agreement, utilization of the Boxcars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Boxcars, commencing from the initial loading, and the denominator of which is the aggregate number of days in each year that the Boxcars are on lease to Lessee, commencing from the initial loading (such term referred to as "utilization"). In addition, SSI will receive, as additional rental, all monies earned by the Boxcars prior to their initial loading.

(ii) In the event utilization exceeds 93 per cent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the payments earned in excess of the SSI Base Rental, provided, however, that the amounts received by SSI shall, in no event exceed the amounts SSI would earn if the utilization were 95 per cent. For the purpose hereof, SSI Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 93 per cent and the denominator of which is the utilization for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if utilization is greater than 93 per cent in any calendar year, receive one-half of all the payments made by other railroads for use or handling of the Boxcars in excess of the SSI Base Rental up to a utilization of 95 per cent and all the payments made by other railroads for use or handling of the Boxcars for utilization greater than 95 per cent.)

(iii) If SSI pays other railroads to move Boxcars in accordance with Section 3A, except for any payments incurred to deliver such Boxcars to Lessee's railroad line, Lessee shall reimburse SSI for such payments only from and out of the monies received by Lessee pursuant to Subsection 6A(ii).

(iv) The rental charges payable to SSI by Lessee shall be paid only from the payments actually received by Lessee at the address specified by SSI from other railroads in the following order until SSI receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other. Lessee shall have no obligation to attempt to recover from other railroad companies amounts due Lessee or SSI under this agreement.

(v) In the event damage beyond repair or destruction of a Boxcar has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules-- Freight and the appropriate amount due as a result thereof is received by SSI, said damaged or destroyed Boxcar will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. The calculations required above shall be made within five months after the end of each calendar year. However, to enable SSI to meet its financial commitments, SSI may, prior to such calculations, retain the payments received by it on behalf of Lessee. Further, since the parties desire to determine on a quarterly basis the approximate amount of the rental charges due SSI, SSI shall within three months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis the amount due it pursuant to this section. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that following the yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party.

- C. If at any time during a calendar quarter, the number of days that the Boxcars have not earned car hire payments is such as to make it mathematically certain that the utilization cannot be equal to or greater than an average of 87.5 percent for such calendar quarter plus the three immediately preceeding calendar quarters for which utilization can be calculated, SSI may, at its option, terminate this Agreement as to such Boxcars as SSI shall determine, and SSI shall give Lessee written notice of its intention to exercise such option to terminate this Agreement stating the number of Boxcars to which it shall apply. Notwithstanding the foregoing, Lessee may (a) pay to SSI an amount equivalent to the difference between (1) the straight car hire payments, incentive car hire payments and mileage payments (at 75 miles per day) which would have been earned for such calendar quarter plus the three immediately preceeding calendar quarters for which utilization can be calculated if the average utilization of such quarters had been 87.5 percent and (2) the total payments actually earned by the Boxcars during such calendar quarter plus the three immediately preceeding calendar quarters for which utilization can be calculated and (b) if Lessee chooses to make such payments to SSI, Lessee may continue this Agreement as to some or all of the Boxcars indicated for termination by SSI to Lessee in its notice to Lessee under this Section. In addition, once Lessee has made such payment to SSI, the utilization for such calendar quarters shall be considered to be 87.5 percent for all future calculations under this Section.

For purposes of the 87.5 percent calculation under this Sub-section C only, a damaged Boxcar which has been reported in accordance with Rule 7 or Rule 8 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules--Freight, shall be deemed removed from the coverage of this Agreement as of the date that payment of car hire payments ceased until such date as car hire payments commence.

Lessee shall notify SSI within twenty (20) days of receipt of SSI's notice hereunder of Lessee's decision to exercise its own option and shall pay to SSI any amounts due as a result within thirty (30) days of the end of such calendar quarter. If Lessee does not give such notice, this Agreement shall terminate as of the end of such twenty (20) day period with respect to those Boxcars indicated by SSI.

D. SSI may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive car hire for Boxcars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both SSI and Lessee at least equal in amount to such reduction or (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section and (3) SSI or Lessee may terminate this Agreement if the ICC shall at any time require that Lessee spend funds not earned by the Boxcars in order for Lessee to continue to meet its obligations set forth in this section.

E. Subsequent to the initial loading, if any Boxcar remains on Lessee's railroad tracks for more than twelve consecutive days, SSI may, at its option and upon not less than 24 hours prior written notice, terminate this Agreement as to such Boxcar and withdraw such Boxcar from Lessee's railroad tracks; provided, however, Lessee may at its option notify SSI within 24 hours of receiving SSI's notice of Lessee's decision to hold one or more of such Boxcar(s) on its tracks and pay to SSI an amount equivalent to the straight car hire payments, incentive car hire payments and mileage payments (at 75 miles per day) which the Boxcar(s) would have earned had the Boxcar(s) been in the possession and use of another railroad for the sixth and subsequent days. If any such Boxcar remains on Lessee's railroad track more than seven consecutive days because Lessee has not given preference to the Boxcars as specified in Section 3B, Lessee shall be liable for and remit to SSI an amount equal to the car hire revenues Lessee would have earned if such Boxcars were in the physical possession and use of another railroad for the entire period.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Boxcars in accordance with the terms of this Agreement and in the manner and to the extent Boxcars are customarily used in the railroad freight business. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by SSI in connection with the acquisition of Boxcars, i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the

Boxcars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Boxcars, the Boxcars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either SSI or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Boxcars or any interest therein or in this Agreement or Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee or SSI of any sum required herein to be paid by Lessee or SSI within ten days after written notice to the non-paying party by the other.

(ii) The breach by Lessee or SSI of any other material term, covenant, or condition of this Agreement, which is not cured within thirty days following receipt of written notice thereof.

(iii) Any act of insolvency by Lessee or SSI or the filing by Lessee or SSI of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee or SSI that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee or SSI, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of Lessee's or SSI's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency, if such action adversely affects the ability of Lessee or SSI to perform its obligations hereunder.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, by or involving the other party, SSI or Lessee may, at its option, terminate this Agreement and may

(i) Proceed by any lawful means to enforce performance by the other of this Agreement or to recover damages for a breach thereof resulting directly from such breach or

(ii) In the case of Lessee's default, by notice in writing to Lessee, terminate Lessee's right of possession and use of the Boxcars whereupon all right and interest of Lessee in the Boxcars shall terminate; and thereupon SSI may enter upon any premises where the Boxcars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. SSI shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to the date of notice of termination by SSI.

9. Termination

At the expiration or termination of this Agreement as to any Boxcars, Lessee will surrender possession of such Boxcars to SSI by delivering the same to SSI at SSI's expense. Upon such expiration or termination of this Agreement, a Boxcar shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Boxcar and the placing thereon of such markings as may be designated by SSI, either, at the option of SSI, (1) by Lessee upon return of such Boxcars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Boxcar at the time of or subsequent to termination of the lease term as to such Boxcar, provided however, that SSI must have removed Lessee's railroad markings from the Boxcars within 120 days of such expiration or termination date. If such Boxcars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing, and transporting such Boxcars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by SSI. If such Boxcars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Boxcars and place thereon such markings as may be designated by SSI. After the removal and replacement of markings, Lessee shall use its best efforts to load such Boxcars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to thirty (30) days free storage on its railroad tracks for SSI or the subsequent lessee of any terminated Boxcar, as may be reasonably within the capability of Lessee. If any Boxcar is terminated pursuant to sub-sections 6C or 6E or section 8, by reason of Lessee's default, prior

to the end of its lease term, Lessee shall be liable to SSI for actual and reasonable costs and expenses incurred by SSI to repaint the Boxcars and place thereon the markings and name or other insignia of SSI's subsequent lessee. Notwithstanding anything in this Section 9 to the contrary, if this Agreement is terminated by SSI pursuant to Section 6D or by reason of SSI's default, SSI shall be responsible for (1) all costs and expenses of assembling, delivering, storing and transporting any Boxcars wherever located and (2) all costs and expenses of repainting the Boxcars and placing thereon the markings and name or other insignias of SSI's subsequent Lessee. SSI shall reimburse Lessee for any such costs and expenses incurred by it.

10. Indemnities

SSI will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Boxcars and their contents unless occurring while Lessee has physical possession of Boxcars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Boxcars and their contents other than loss or damage to the Boxcars and their contents (unless occurring through the negligence of Lessee and such negligence gave rise to such claims, causes of action, damage, liability, cost, or expense, while Lessee had physical possession of the Boxcars), including without limitation the construction, purchase and delivery of the Boxcars to Lessee's railroad line, ownership, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by SSI or Lessee).

11. Representations, Warranties and Covenants

A. Lessee and SSI each represents, warrants and covenants that:

(i) It is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgement, order, law or regulation applicable to Lessee or SSI, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or, in the case of Lessee only on the Boxcars, pursuant to any instrument to which Lessee or SSI is a party or by which SSI's or Lessee's assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee or SSI before any court or administrative agency or other governmental body which might result in any

material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee or SSI.

(iv) There is no fact which Lessee or SSI has not disclosed to the other party in writing, nor is Lessee or SSI a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee or SSI can now reasonably foresee, will individually or in the aggregate materially adversely affect the business condition or any material portion of the properties of the Lessee or SSI or the ability of the Lessee or SSI to perform their obligations under this Agreement.

B. Lessee represents, warrants and covenants that it has during the years 1964-1968 neither leased nor purchased any boxcars.

12. Inspection

SSI shall at any time during normal business hours have the right to enter the premises where the Boxcars may be located for the purpose of inspecting and examining the Boxcars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify SSI of any accident connected with the malfunctioning or operation of the Boxcars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify SSI in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Boxcar. Lessee shall furnish to SSI promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Investment Tax Credit

SSI and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with acquisition of the Boxcars on the Equipment Schedules to this Agreement. All Boxcars shall be new equipment when delivered to Lessee hereunder and SSI agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Boxcars.

14. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, provided that, except for an assignment by SSI to a subsidiary or affiliate or to a financing party, neither party may without the prior written consent of the other assign this Agreement or any of its rights hereunder and Lessee may not sublease the Boxcars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by SSI in connection with the acquisition of the Boxcars in order to confirm the financing party's interest in and to the Boxcars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Boxcars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to lessee any right, title or interest in the Boxcars except as a lessee only.

D. No failure or delay by SSI or Lessee shall constitute a waiver or otherwise affect or impair any right, power or remedy available to either party nor shall any waiver or indulgence by either party or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

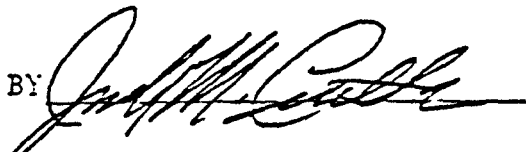
E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

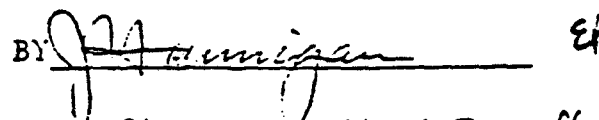
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SSI RAIL CORP.

NORTH LOUISIANA AND GULF
RAILROAD COMPANY

BY 
TITLE PRESIDENT

DATE 11-2-77

BY  E
TITLE Chairman & Chief Exec. Off.

DATE 7/28/77

AMENDMENT NO. 1

TO
LEASE AGREEMENT
DATED JULY 21, 1977

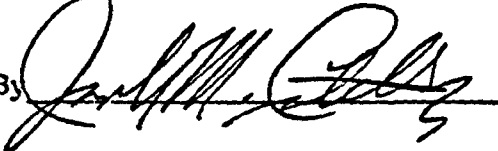
This Amendment dated October 14, 1977 hereby amends Section 10 of the above referenced Agreement between SSI Rail Corp. and North Louisiana and Gulf Railroad Company to read as follows:

"10. INDEMNITIES

SSI will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Boxcars and their contents unless occurring while Lessee has physical possession of Boxcars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Boxcars and their contents (other than loss or damage to the Boxcars and their contents) arising out of the construction, purchase and delivery of the Boxcars to Lessee, ownership, leasing or return of the Boxcars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by SSI or Lessee). SSI's obligation under this Section 10 to defend, indemnify and hold harmless Lessee shall not extend to loss or damage to the Boxcars or their contents or to claims of third parties for property damage or personal injury caused by Lessee's negligence. Further, SSI's obligation under this provision shall not relieve Lessee or any other railroad carrier from its obligation to exercise due care in loading, unloading and handling the Boxcars' contents and for their responsibility for failure to do so. (Lessee's responsibility for loading and handling the contents of the Boxcars shall be equivalent to its responsibility for the loading and handling of contents in any other railroad's boxcars.)"

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

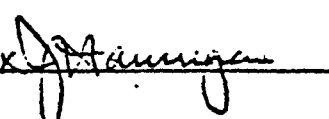
SSI RAIL CORP.

By 

Title PRESIDENT

Date 11-2-77

NORTH LOUISIANA AND GULF
RAILROAD COMPANY

By  *Jr*

Title CHAIRMAN + CHIEF EXEC. OFF

Date 10-26-77

STATE OF CONNECTICUT
COUNTY OF FAIRFIELD }

On this 26TH day of OCTOBER..., before me personally appeared J. HANNIGAN,
to me personally known, who being by me duly sworn says that such person is CHAIRMAN & CHIEF
NORTH LOUISIANA & GULF RAILROAD Company that the foregoing Lease Agreement was signed on behalf
of said corporation by authority of its board of directors, and such person acknowledged that the
execution of the foregoing instrument was the free act and deed of said corporation.

Larance V. Wolf

Notary Public

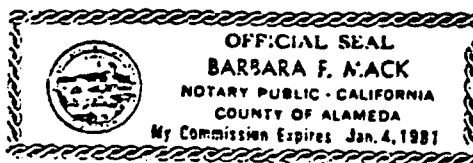
My Commission Expires APRIL 1978

STATE OF CALIFORNIA
COUNTY OF SAN FRANCISCO }

On this 2ND day of NOVEMBER, before me personally appeared JOSEPH M. Costello Jr
to me personally known, who being by me duly sworn says that such person is PRESIDENT of
SSI Rail Corp., that the foregoing Lease Agreement was signed on behalf of said corporation by
authority of its board of directors, and such person acknowledged that the execution of the foregoing
instrument was the free act and deed of such corporation.

Barbara F. Mack

Notary Public





INVESTMENT TAX CREDIT: LESSOR'S ELECTION

Name and Address of Lessee:

North Louisiana & Gulf
Railroad Co.
c/o Clifford E. McCarty
Continental Forest Industries
Office Park II
Greenwich, Ct. 06830

Taxpayer I.D. Number of Lessee:
Office at which Lessee files Tax Return:

Description of Property:

One hundred (100) 70-ton 50'6"
single sheath boxcars, AAR
mechanical designation "XM",
bearing identifying marks NLG
5001 through 5100 inclusive.

Date Property Leased to Lessee:
Estimated Useful Life of Property:
Fair Market Value of Property:
Taxpayer I.D. Number of Lessor:
Office at which Lessor files Tax Return:

July 21, 1977
15 years
\$3,148,627.00
94-2292670
Fresno

SSI Rail Corp. hereby transfers to North Louisiana & Gulf Railroad Company the Investment Tax Credit allowed by Section 38 of the Internal Revenue Code.

SSI RAIL CORP.

By: 

Date: Dec 5, 1977

Accepted:
North Louisiana & Gulf
Railroad Company

By: _____

HODGE, LOUISIANA 71247

PLEASE REPLY TO

FILE NO. _____

June 22, 1977

Itel Corporation
One Embarcadero Center
San Francisco, CA 94111

Gentlemen:

In consideration of the execution by the North Louisiana & Gulf Railroad Company of the Lease Agreement dated July 21, 1977 with SSI Rail Corp., Itel Corporation is requested to agree as follows:

Itel Corporation guarantees payments due the North Louisiana & Gulf Railroad Company ("NL&G") under the terms of the Lease Agreement and will reimburse NL&G for any costs, expenses, fees and charges incurred by NL&G in connection with the use and operation of each of the Boxcars which SSI Rail Corp. is obligated to pay under the terms of the Lease Agreement if for any reason SSI Rail Corp. is unable to meet its obligations. Itel and its subsidiaries assume no other obligations of SSI Rail Corp.

Very truly yours,

North Louisiana & Gulf Railroad
Company

By *[Signature]* *guc.*

I WARRANT THAT I AM AN OFFICER OF ITTEL CORPORATION AND AM EMPOWERED TO AGREE TO THE PRECEEDING AND DO SO AGREE.

Signed,

Itel Corporation

By *[Signature]*

Attest:

[Signature]
Secretary



October 17, 1977

Mr. Ross Miller
Vice President
North Louisiana and Gulf Railroad Co.
P. O. Drawer 550
Hodge, LA 71247

Dear Ross:

We are rapidly approaching the scheduled manufacturing of your boxcars at the FMC car building plant in Portland, Oregon. I would like to extend an invitation to you to join us at FMC on November 1, 1977, to inspect the sample car which will be made available for our inspection.

This will be our final opportunity to confirm that the cars FMC will be delivering meet the specifications ordered by SSI for your railroad.

If you are not able to join us on this date, please sign and return the enclosed copy of this letter as your approval for SSI to accept these cars for you following our own inspection.

Sincerely,

SSI RAIL CORPORATION

A handwritten signature in dark ink, appearing to read "Phil", is written over the typed name.

Philip J. Sullivan
Eastern Region Manager

I approve:

NORTH LOUISIANA & GULF RAILROAD COMPANY

By: A handwritten signature in dark ink, appearing to read "Ross Miller", is written over the typed name.

Title: Vice-President

Date: 10/22/77

cc: Mr. R. Stewart, NL&G

Mr. C. E. McCarty, Continental Forest Industries

20 WILLIAM STREET WELLESLEY, MASSACHUSETTS 02181 (617) 235-6375

TELEX 82-8480 ITEL WELL
SUBSIDIARY OF THE ITEL CORPORATION

FILE.
AS REQUESTED
VERBALLY WE WANT COPY &
CAR DRAWINGS AND SPECIFICATIONS
YOU WILL BE RECEIVING
AGAINST.

cc: C.E. McCarty, GARDENH. 10/24.

Amendment Number 2 dated as of July 1, 1978, between Itel Corporation, Rail Division, successor in interest to SSI Rail Corporation ("SSI"), and the North Louisiana and Gulf Railroad Company, a Louisiana corporation ("Lessee").

WITNESSETH:

WHEREAS, SSI and Lessee are parties to a lease dated as of July 21, 1977, ("the Agreement") pursuant to which SSI has delivered 400 Boxcars ("the Boxcars"):

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree to amend the Lease as follows:

1. All terms defined in the Agreement shall have the defined meanings when used in the Amendment.

2. This Amendment shall be effective as of July 1, 1978 and shall apply only to payments earned subsequent to June 30, 1978.

3. For the purposes of determining the rent for the four hundred Boxcars numbered NLG 5401-NLG 5800 set forth in the Equipment Schedule No. 3 to the Agreement, the number "87.5 per cent" shall be substituted in Section 6A (i) for the number "93 per cent" each time it appears.

4. For only the Boxcars bearing the identifying numbers NLG 5401-NLG 5800, Section 6A (ii) is hereby amended by deleting such section in its entirety and substituting, in lieu thereof, the following:

"6A (ii) In the event utilization exceeds 87.5 per cent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the payments earned in excess of the SSI Base Rental, provided, however, that the amounts received by SSI shall, in no event exceed the amounts SSI would earn if utilization were 90 per cent. For the purpose hereof, SSI Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 87.5 per cent and the denominator of which is the utilization for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if utilization is greater than 87.5 per cent in any calendar year receive one-half of all the payments made by other railroads for use or handling of the Boxcars in excess of the SSI Base Rental up to a utilization of 90 per cent and all the payments made by other railroads for use of handling of the Boxcars for utilization greater than 90 per cent.)"

C-411

5. For only the Boxcars bearing the identifying numbers NLG 5001 through NLG 5400, Section 6A (ii) is hereby amended by deleting such section in its entirety and substituting, in lieu thereof, the following:

"6A (ii) In the event utilization exceeds 87.5 per cent in any calendar year, SSI shall receive an amount equal to the SSI Base Rental plus an amount equal to one-half of the payments earned in excess of the SSI Base Rental, provided, however, that the amounts received by SSI shall, in no event exceed the amounts SSI would earn if utilization were 90 per cent. For the purpose hereof, SSI Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 87.5 per cent and the denominator of which is the utilization for such calendar year. (The above determination of SSI Base Rental insures that Lessee will, if utilization is greater than 87.5 per cent in any calendar year receive one-half of all the payments made by other railroads for use or handling of the Boxcars in excess of the SSI Base Rental up to a utilization of 90 per cent and all the payments made by other railroads for use of handling of the Boxcars for utilization greater than 90 per cent.)"

This paragraph 5 shall be effective as of October 1, 1978 and shall apply only to payments earned subsequent to September 30, 1978.

6. Except as expressly modified by the Amendment, all the terms and provisions of the Lease shall remain in full force and effect.

7. This Amendment may be executed by the parties hereto in any number of counterparts, and all said counterparts taken together shall be deemed to constitute one and the same investment.

ITEL CORPORATION, RAIL DIVISION

BY: *James M. Gilling*

TITLE: President

DATE: 8/24/78

NORTH LOUISIANA AND GULF
RAILROAD COMPANY

BY: *A. J. Cunningham*

TITLE: Chairman & Chief Exec. Off.

DATE: 7/13/78

EDM C-411

Rider No. 1 to the Lease Agreement made as of July 21, 1977 between IteI Corporation, Rail Division and North Louisiana and Gulf Railroad Company

A New Section 1C is added as follows:

"IteI Rail and Lessee agree that, as between themselves, Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers NLG 5401-NLG 5800 set forth on Equipment Schedule No. 3 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and IteI Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars."

For the purposes of determining the rent for the Cars bearing the identifying numbers NLG 5401-NLG 5800 set forth on Equipment Schedule No. 3 to the Agreement, the number "87.5 per cent" shall be substituted in Section 6A(i) and 6A(ii) for the number "90 per cent" each time it appears.

ITEL CORPORATION, RAIL DIVISION

BY:

TITLE:

DATE:

NORTH LOUISIANA AND GULF RAILROAD COMPANY

BY:

TITLE:

DATE:

EQUIPMENT SCHEDULE No. ...3.....

IteI Corporation, Rail Division hereby leases the following
Boxcars to North Louisiana and Gulf Railroad Company. subject
to the terms and conditions of that certain Lease Agreement .
dated as ofJuly 21....., 197.7. .

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	50' Plate C Boxcar, nailable steel floor, sliding ten foot door	NLG 5401- NLG 5800	50'6"	9'6"	11'2"	10'	400

ITEL CORPORATION, RAIL DIVISION

BY: *Jack M. Little*TITLE: *President*DATE: *8/24/78*

NORTH LOUISIANA AND GULF RAILROAD COMPANY

BY: *D. J. ...*TITLE: *Chairman & Chief Exec. Off*DATE: *7/13/78*

STATE OF Connecticut
COUNTY OF Fairfield

On this 13th day of July, 1978, before me personally appeared J. Hammigen,
to me personally known, who being by me duly sworn says that such person is Chairman of
NL & C, that the foregoing Lease Agreement and Equip-
ment Schedule No. 3 was signed on behalf of said corporation by authority of its board
of directors, and such person acknowledged that the execution of the foregoing instrument was the
free act and deed of said corporation.

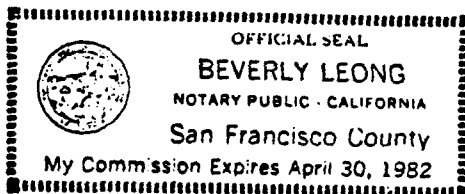
Dolores L. Marzullo
Notary Public

DOLORES L. MARZULLO
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1982

STATE OF California
COUNTY OF San Francisco

On this 11th day of August, 1978, before me personally appeared James H. [unclear],
to me personally known, who being by me duly sworn says that such person is Chairman of
Iitel Corporation, Rail Division, that the foregoing Amendment #2 Rider #1 and Equipment Schedule No.
3 was signed on behalf of said corporation by authority of its board of directors, and such
person acknowledged that the execution of the foregoing instrument was the free act and deed of
such corporation.

Dolores L. Marzullo
Notary Public



I, Beverly Leong, being a notary public, do hereby certify that I have compared this copy with the original document and that it is a true and correct copy in all respects.



SCHEDULE D

ASSIGNMENT OF LEASE AND AGREEMENT dated as of _____, 19__ (hereinafter called this Assignment), by and between Itel Corporation, a Delaware corporation (together with its successors being hereinafter called ITEL), acting through its Rail Division, and Bankers Trust Company, as Trustee (hereinafter called the Trustee).

WHEREAS ITEL and the Trustee have entered into an Equipment Trust Agreement dated as of December 1, 1978 (such Equipment Trust Agreement, together with any amendments or supplements thereto, being hereinafter called the Agreement);

WHEREAS ITEL and _____ (hereinafter called the Lessee) have entered into a lease of Equipment (as defined in the Agreement) dated as of _____, (such lease, together with any amendments or supplements thereto, whether made heretofore or hereafter, being hereinafter called the Lease), providing for the leasing by ITEL to the Lessee of units of the Trust Equipment (as defined in the Agreement);

WHEREAS the Lease may also cover the leasing to the Lessee of other equipment not included as part of the Trust Equipment; and

WHEREAS in order to provide security for the obligations of ITEL under the Agreement and under its guaranties endorsed on the Trust Certificates and as an inducement to the investors for which the Trustee is acting to purchase Trust Certificates (as defined in the Agreement), ITEL agrees to assign for security purposes its rights in, to and under the Lease to the Trustee as and only to the extent that the Lease relates to the Trust Equipment;

NOW, THEREFORE, in consideration of the purchase of the Trust Certificates by the holders thereof and the covenants herein contained, the parties hereto agree as follows:

1. ITEL hereby assigns, transfers and sets over unto the Trustee, as additional security for the payment and performance of ITEL's obligations under the Agreement and under its guaranties endorsed on the Trust Certificates, all of ITEL's right, title and interest, powers, privileges and other benefits under the Lease as and only to the extent that the Lease relates to the Trust Equipment, including, without

limitation, all rights to receive and collect all rentals, proceeds and other sums payable to or receivable by ITEL under or pursuant to the provisions of the Lease to the extent that the same are payable in respect of the Trust Equipment, whether as rent, casualty payment, indemnity, liquidated damages or otherwise (such moneys being hereinafter called the Payments); provided, however, that until an Event of Default or Default under the Agreement shall occur, it is understood that ITEL shall be entitled to collect and receive all such Payments and to make all waivers, to give all notices and consents, to take all action upon the happening of an event of default specified in the Lease, and to apply all Payments to which ITEL is entitled to the payment of any and all of ITEL's obligations under the Agreement. In furtherance of the foregoing assignment, but subject to the foregoing provisions of this paragraph, ITEL hereby irrevocably authorizes and empowers the Trustee in its own name, or in the name of its nominee, or in the name of ITEL or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which ITEL is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof. Whenever a Lease covers other equipment not included as part of the Trust Equipment and the amount of any payment due to ITEL under such Lease as car hire payments (including both straight and incentive per diem), mileage charges or other rental revenues is calculated on an aggregate basis for all equipment leased thereunder, for the purposes of this Assignment an amount equal to the Assigned Fraction (as hereinafter defined) of each such payment shall be deemed to be payable with respect to the Trust Equipment leased under such Lease. The term "Assigned Fraction" as used herein shall mean a fraction the numerator of which shall be the number of units of equipment comprising the Trust Equipment leased under such Lease and the denominator of which shall be the aggregate number of units of equipment (including the units of Trust Equipment) at the time leased under such Lease.

2. This Assignment is executed only as security for the obligations of ITEL under the Agreement and under its guaranties endorsed on the Trust Certificates and, therefore, the execution and delivery of this Assignment shall not subject the Trustee to, or transfer, or pass, or in any way affect or modify, the liability of ITEL under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent

assignment, all obligations of ITEL to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, ITEL or persons other than the Trustee and the holders of Trust Certificates.

3. To protect the security afforded by this Assignment, ITEL agrees as follows:

(a) ITEL will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by ITEL.

(b) At ITEL's sole cost and expense, ITEL will appear in and defend every action or proceeding arising under, growing out of or in any manner connected with the obligations, duties or liabilities of ITEL under the Lease.

(c) Should ITEL fail to make any payment or to do any act which this Assignment requires ITEL to make or do, then the Trustee, but without obligation so to do, after first making written demand upon ITEL and affording ITEL a reasonable period of time within which to make such payment or do such act, but without releasing ITEL from any obligation hereunder, may make or do the same in such manner and to such extent as the Trustee may deem necessary to protect the security provided hereby, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of the Trustee, and also the right to perform and discharge each and every obligation, covenant and agreement of ITEL contained in the Lease; and in exercising any such powers, the Trustee may pay necessary costs and expenses, employ counsel and incur and pay reasonable attorneys' fees, and ITEL will reimburse the Trustee for such costs, expenses and fees.

4. Upon the full discharge and satisfaction of all of ITEL's obligations under the Agreement, its guaranties endorsed on the Trust Certificates and this Assignment, all rights herein assigned to the Trustee shall terminate, and all estate, right, title and interest of the Trustee in and to the Lease shall revert to ITEL.

5. ITEL will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file and

record (and will refile and rerecord whenever required) any and all further instruments required by law or reasonably requested by the Trustee in order to confirm or further assure the interests of the Trustee hereunder.

6. If an Event of Default shall occur and be continuing under the Agreement, the Trustee may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Trustee hereunder. The Trustee will give written notice to ITEL and the Lessee of any such assignment.

7. This Assignment shall be deemed to be a contract made in the State of New York and for all purposes shall be construed in accordance with and governed by the laws of the State of New York; provided, however, that the parties hereto shall be entitled to all rights conferred by §11303 of Title 49 of the United States Code; and provided further, however, that any remedies herein provided which shall be valid under the laws of the jurisdiction where proceedings for the enforcement of this Assignment shall be taken shall not be affected by any invalidity of this Assignment under the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective names, by officers thereunto duly authorized, and their respective seals to be affixed and duly attested, all as of the date first above written.

ITEL CORPORATION

By: _____

[Corporate Seal]

Attest:

BANKERS TRUST COMPANY,
as Trustee

By: _____

[Corporate Seal]

Attest:

STATE OF NEW YORK)

) SS:

COUNTY OF NEW YORK)

On the _____ day of _____, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____; that he is an _____ of BANKERS TRUST COMPANY, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.